Half-year Consolidated Financial Report at 30 June 2020

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Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 30 June 2020 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152

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TABLE OF CONTENTS

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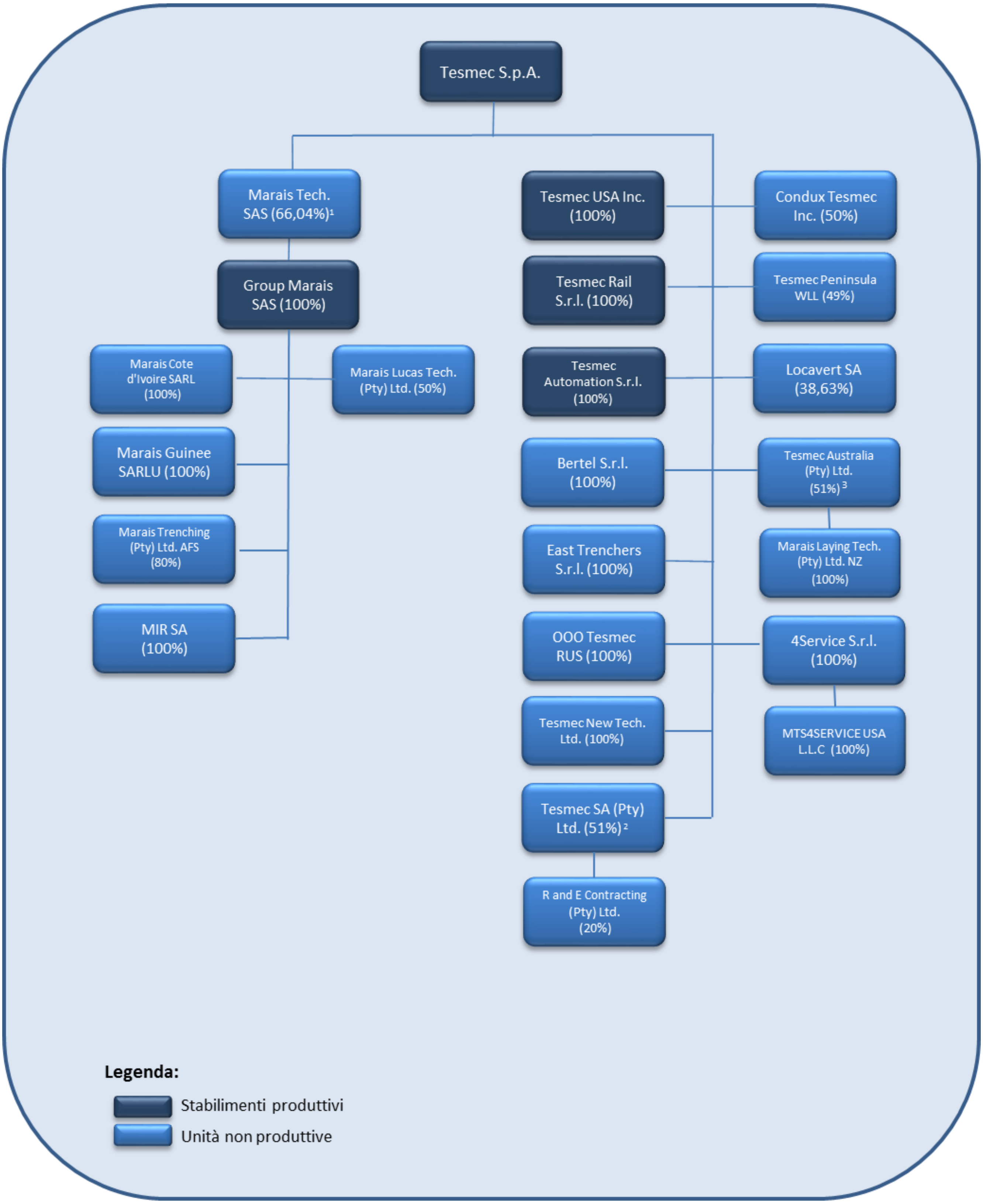
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

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 of the Parent Company in Marais Technologies SAS is consolidated on an 100% basis.

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

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

INTERIM CONSOLIDATED FINANCIAL REPORT

1. Introduction

The Parent Company Tesmec S.p.A. (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 the initial months of 2020, the effects of the COVID-19 pandemic were quickly reflected on the global economy. The epidemic, which began in China at the end of January, gradually spread to all countries in the Euro area and in the United States, hitting particularly hard, resulting in a sharp worsening of the economic outlook. The number of new cases daily worldwide is still rising, with very different trends over the last few months, geographically speaking. In relation to the population, it has gone down to relatively low numbers in all EU countries, with the exception of Sweden; it remains high in Latin America, the Middle East, South Africa and the United States. The strictness of the containment measures and their composition have differed among countries. In most cases, the measures have focused firstly on reducing the amount of contact between people (limits on movement and on national and international travel, the closure of schools and production activities, and social distancing). These measures have generally managed to stop the epidemic from increasing exponentially. In most countries and almost without exception in the EU, the number of new cases daily began to fall within three weeks of introducing containment measures. Such containment measures, however, have had a strong impact on economic activity and on world trade.

The effects of the pandemic, which is slowing down in Europe but has become more serious in the emerging countries and in the United States, are weighing on the global economy. GDP contracted markedly in the main economies in the first quarter and, based on the available indicators, will continue to do so in the second quarter. The worsening in economic activities and in international trade increased in April (industrial production fell by about 10 per cent on a monthly basis in the United States and Japan and by 20 per cent in the United Kingdom). Indeed, some of the countries where the epidemiological situation has improved have gradually eased containment measures since May and experienced signs of recovery in the last weeks. In China, industrial production returned to growth in April and strengthened still further in May. Overall, however, the global growth projections by international institutions have been repeatedly revised downwards. The forecasts released in June by the International Monetary Fund point to a fall of 4.9 per cent in world GDP for the current year. The main risks to growth stem from the possibility of a second wave of infections. This would have negative repercussions on the confidence and the consumption and investment decisions of households and firms, as well as on the performance of financial markets, which are particularly sensitive to the course of the pandemic. It is also possible that if the crisis endures, it will have a more unfavourable impact on global supply chains, with persistent effects on economic activity and world trade.

In the first quarter of 2020, GDP in the Euro area fell by 3.6 per cent. The available data suggests that the contraction in economic activity in the first quarter became sharper in the second quarter, owing to the very unfavourable developments registered in April, when industrial production fell markedly in all the major economies. The latest data point to signs of recovery in production, but these appears to be still incomplete. The business confidence indicators rose somewhat in May in industry excluding construction; while in June, the recovery intensified and spread to all sectors. According to the Eurosystem staff projections published at the beginning of June, in a baseline scenario, euro-area GDP would fall by 8.7 per cent this year, returning to growth in 2021 and in 2022. The ECB Governing Council has adopted new expansionary measures in several steps, reaffirming its commitment to ensuring that the monetary policy stance is transmitted to all sectors of the economy and all countries in the area. Last April, the European Council approved (a) the establishment of a temporary support scheme to mitigate the unemployment risk connected with the health emergency (‘*Support to mitigate unemployment risks in an emergency*’, SURE); (b) the creation of a guarantee fund by the European Investment Bank (EIB) for lending to firms; and (c) an additional precautionary credit line (*Pandemic Crisis Support*) to the *European Stability Mechanism* (ESM), to be used to fund the direct and indirect costs incurred by the public sector to counter the pandemic. The total available funding under these measures amounts to Euro 500 billion. In May, the European Commission presented a proposal to the European Parliament for the creation of a new instrument called ‘Next Generation EU’, through which the European Union could raise financial resources by borrowing up to Euro 750 billion in the markets, to be used as loans (about Euro 250 billion) and grants (Euro 500 billion) to Member States. According to preliminary estimates by the European Commission’s staff, Italy could receive up to Euro 150 billion.

The strains in the financial markets caused by the spread of the pandemic partially abated towards the end of March and in the course of the second quarter, thanks to the expansionary measures adopted in the main economic areas and the gradual easing of the restrictions imposed by the pandemic. Nevertheless, the markets remain sensitive to news about the course of the contagion. Since April, share prices have partially recouped the losses suffered in the most acute phase of the pandemic, due to investors’ higher propensity to risk, encouraged by the strong expansionary measures introduced by the monetary and fiscal authorities. The Euro exchange rate appreciated against the dollar and the prevalence of long positions in euros in the derivatives markets suggests expectations of an appreciation. Crude oil prices, after reaching a minimum level of USD 19 per barrel in mid-April, partially recovered, rising to USD 43 per barrel at the beginning of July. This recovery is mainly due to the agreement reached among OPEC+ countries to reduce production (by about 10 per cent) and, to a lesser extent, to the gradual recovery in the demand for crude oil, especially in China.

In Italy, GDP decreased by 5.3 per cent in the first quarter, the main contributing factor being the shrinking of domestic demand, and the negative foreign trade. After declining in the first quarter, industrial production recorded another sharp fall in April. In fact, the containment measures adopted by the Government in the Prime Minister’s Decree (DPCM) of 22 March 2020 led to the closure of activities deemed ‘non-essential’ for the entire month of April; these activities account for about one third of total value added. Industrial activity began to grow again in May, with the gradual easing of the lockdown. The cyclical indicators show signs of improvement from May onwards, in conjunction with the gradual easing of the measures to suspend production that were almost completely eliminated in June. Most firms report that the effects of the epidemic are being transmitted mainly through the decrease in demand, both domestic and foreign, and the obstacles to the procurement of raw materials are an important channel. Sales in non-EU markets show signs of a partial recovery in May, thanks to the improvement in export-weighted price competitiveness. In May, labour market participation returned to growth. In fact, despite a marked reduction in hours worked per capita on average in the first quarter of 2020, a large-scale use of wage supplementation, along with a freeze on terminations, mitigated the impact of the crisis on the number of persons in employment.

In the three months ending in May, loans to firms increased significantly, in conjunction with the greater liquidity needs arising from the pandemic. The increase was concentrated in the segment of loans with maturities beyond one year. These trends likely reflect firms' greater preference for longer-term loans that allow them to cope with extended periods of uncertainty. The strong expansion of loans has been fuelled in part by the extraordinary measures taken by the Government, the ECB and supervisory authorities. Among the major initiatives undertaken by the Government is a wide-reaching programme of public guarantees for loans, strengthened by having SACE partner, specifically for larger firms.

In terms of projections, in the current cyclical phase, the uncertainty about the duration, strength and geographical spread of the epidemic makes it difficult to formulate projections. As far as Italy is concerned, on average, firms in services and industry excluding construction estimate that their business will return to pre-crisis levels in about nine to ten months. In a baseline scenario, GDP will shrink by 9.5 per cent on average this year, entirely due to the fall recorded in the first half of the year, and is expected to recover over the next two years. The recovery will be gradual: persistent effects on household consumption will stem from the decline in employment and in disposable income, while the deterioration in the outlook for demand and firms' confidence will impact investments. Inflation will be practically nil. Should there be any new and serious outbreaks at national or global level, developments could be more negative than those outlined in the baseline scenario. However, compared with the scenario considered here, growth prospects could be improved as a result of the strengthening of the expansionary policies currently under discussion.

3. Effects of the COVID-19 pandemic

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. With regards to Italy, via specific Decrees of the Presidency of the Council of Ministers (DPCM), a state of emergency was declared, currently in force until October 15th. The Group has taken prompt actions to monitor and manage the situation with great attention, applying all health and safety protocols in full compliance with the provisions of the Ministry of Health. These circumstances, extraordinary in nature and extent, had direct and indirect impact on operating activities. Since the early days of the health emergency, the Group has been committed to fight it trying to ensure the business continuity of its offices and plants but at the same time ensuring the safety of its staff, customers and suppliers. The main actions adopted concerned the incentive to smart working, the business travels restriction, the increase of spaces in the workplace and measures to avoid occasions of gatherings of large groups. Frequent cleaning and sanitization of the premises have been guaranteed and Group employees and collaborators have been periodically updated, through internal communications, on the protocols to be adopted which, with the evolution of the epidemic, have become increasingly compelling. These measures have always been adopted in full compliance with government provisions and, in compliance with the Authority's requirements, the Group stopped its operations in the factories of Grassobbio, Endine, Sirone, Fidenza and Padua from March 23 to May 4, and in plants in Patrica and Monopoli from 23 March to 12 April. Operations in Durtal (France) were suspended from March 17 to April 20, in compliance with the provisions of the French government, while the Alvarado (USA) plant had no interruptions. In Australia and New Zealand, where the Group does not have production plants but where it operates in several jobsites, the activities were stopped from March 19 to May 15 and from March 25 to April 27 respectively.

The progressive slowdown in the spread of infections has made it possible to restart, after the adoption of a prevention and safety protocol which has been agreed with the doctors and union representatives. In compliance with this protocol, the Group made an extended sanitation of its premises, bought the necessary individual protection devices, such as masks, gloves, screens and protective barriers and changed some of its internal procedures, such as the methods of access to facilities, where it is requested the measurement of body temperature before entry, and the organization of areas and work shifts to better guarantee the social distancing measures. Implementation of the so-called smart working continues to be encouraged, and investments have been integrated to allow remote activities to be carried out.

In this difficult context, the Group has also adopted some initiatives to protect the welfare of employees and support its local community. The Group's production activities are carried out in some of the provinces of Italy which have suffered the most dramatic consequences of the current pandemic. To this end, some solidarity actions have been taken such as: a specific insurance coverage in case of hospitalization for COVID-19, the creation of the "*Solidarity Bank*" and the "*Tesmec Family Solidarity Fund*" to collect the contributions and the hours of leave voluntarily donated by employees to their colleagues in difficult situations due to COVID-19, the introduction of the figure of the "corporate butler", a service to take on some personal tasks of the employees in this difficult period, and a fundraiser: " *Abitare la cura - Coronavirus: una mano per alleggerire gli ospedali*" aimed to finance the hospitals in the province of Bergamo.

For the purposes of disclosure set out in the communications from ESMA, CONSOB and IOSCO[1], in terms of the impact of the COVID-19 pandemic on operating activities, it is important to note that, with regards to the overall decrease in income statement figures recognised in the first-half of 2020 compared to the same period of the previous year, the Group cannot identify which and how much of it is directly attributable to the pandemic: overall impact on the income statement figures and results is shown below, to which the pandemic certainly contributed primarily – if not exclusively.

Total revenues as at 30 June 2020 decreased by 27.4% compared to those recorded in the first half of the previous year, significantly impacted by the slowdown in production and business activities following the COVID-19 health emergency. Operating costs decreased by 22.7% compared to the previous year, a lower percentage than the decrease in revenues, with a resulting negative impact on the profitability of the half-year, in relation to the decrease in margins to cover fixed costs.

The COVID-19 pandemic impacted the performance of the first half of 2020. In that context, a series of actions were implemented to mitigate the negative effects of the crisis resulting from the COVID-19 pandemic, achieving a significant reduction in personnel costs (-9.1%), which is also due to the positive impact of the benefit of the social shock absorbers made available in various forms by various local governments and the equivalent measures in countries where the Group operates, estimated at around Euro 1.3 million, and savings in various other operating costs which, nonetheless, were impacted by the final recording of the costs connected with the introduction of said measures to safeguard the health and safety of the Group's employees.

The various containment measures caused delays in the supply chain, the production and consequently the sales of the period, especially in March. These critical issues continued in April as well, during which the interruption of the operating activity continued. This led to a slowdown in the commercial activity, which resumed in the first days of May. The Group reached full operation during the month of June and the first results from the restarting of the activities were confirmed with the growth of turnover and improvement in margins in the second quarter compared to the first quarter. On the basis of what is known to date, the Group believes that the impacts of this situation will not have consequences in the medium term. In order to meet the short-term liquidity needs from the slowdown in production and commercial activities, on 13 March 2020 a loan agreement has been signed with the majority shareholder, to be disbursed according to the needs of the Group in the next three years for a maximum amount of Euro 7 million, of which Euro 4.3 million was used as at 30 June 2020. Furthermore, the Italian companies of the Group were able to benefit from some ABI moratoriums on the maturities of their financial liabilities and from new loans, while the Marais company was able to benefit from a new credit line guaranteed by the French state (Euro 7.7 million). From June the Group made full use of the measures introduced by Legislative Decree n. 23 of 8 April 2020 (the so-called "*Liquidity Decree*") to facilitate access to credit for businesses, with the opening of credit lines of around Euro 50 million (of which Euro 37.5 million after the end of the half year), in addition to those collected by the subsidiary Groupe Marais in France for Euro 7.7 million. The overall financial maneuver, new credit lines and legal moratoriums, make the Group confident in respect of its short and medium-term financial commitments, in support of investments, as well as in the growth expected over the next year.

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

[1] ESMA – ""Implications of the COVID-19 outbreak on the half-yearly financial reports" (May 2020), CONSOB - "Emphasis Matter" 6/2020 of 9 April 2020 and 8/2020 of 16 July 2020 e IOSCO - "Statement on Importance of Disclosure about COVID-19" of 29 May 2020.

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, Tesmec S.p.A., in compliance with the provisions of the Italian Decree of the President of the Council of Ministers "*Further implementing provisions of Italian Decree Law no. 6 of 23 February 2020, containing urgent measures on the containment and management of the epidemiological emergency of COVID-19 applicable throughout Italy*", published on 22 March 2020 in the Official Gazette of the Italian Republic (the "*Italian Decree of the President of the Council of Ministers*"), announced that as from 26 March 2020 the operating activities of specific production lines that were not included in the list of those considered essential or in the chain of those connected to them by the Italian Decree of the President of the Council of Ministers were temporarily suspended. On the other hand, the Company's administrative and commercial activities for the Italian companies continued to be operational and functional, albeit slowing down, through the use of smart-working and in compliance with all the most stringent protocols aimed at preserving the health, safety and security of employees, collaborators, suppliers and customers;

- on 6 April 2020, the company Marais Laying New Zealand received a non-refundable government grant of NZD 0.6 million to cover expenses arising from the health emergency;

- on 20 April 2020, BPI France issued the certificate to Groupe Marais to obtain the loan guaranteed by the State amounting to Euro 7.7 million to be disbursed by a pool of seven financial institutions. These amounts will be disbursed over the coming months;

- 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 receiving the favourable opinion of the control and risks committee acting as the Committee for related party transactions of the Company, purchased from the related party MTS - Officine Meccaniche di Precisione S.p.A. 100% of the share capital of 4 Service S.r.l., a company operating in the trencher rental business for Euro 9.4 million. MTS converted its receivable relating to the payment of the consideration into a future capital increase of Tesmec, in relation to the Shareholder's Meeting resolution of 21 May 2020 further described;

- on 1 May 2020, the SBA "Small Business Administration" approved the disbursement of the loan of USD 1.4 million to Tesmec USA. This operation falls within the regulatory scope of the *paycheck protection programme* and for approximately USD 0.8 million was recognized at 30 June 2020 as a non-repayable government grant, against costs for salaries paid in the period covered by the program;

- 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 S.p.A. signed a loan agreement for a total amount of Euro 10 million granted by Intesa Sanpaolo through the "Garanzia Italia" instrument, put in place by the "Liquidity" Decree to support the Italian companies affected by the COVID-19 emergency and which sees Sace as 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 Company 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 (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 Code;

- on 29 June 2020, the Board of Directors of Tesmec Automation S.r.l. resolved the purchase of the factory located in Patrica (FR), to carry out subsequently the expansion and restructuring of its existing part. Note also that the Patrica factory belongs to the related party Dream Immobiliare S.r.l. and is currently leased by Tesmec Automation S.r.l. on the basis of a 12-year contract expiring in 2028. The transaction was completed on 7 July 2020 at the price of Euro 1 million.

4.1 Effects of the acquisition of the company 4 Service S.r.l.

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. (new company, incorporated in the first half of 2020, to which the related party MTS – Officine Meccaniche di Precisione S.p.A. transferred its rental business) and by Tesmec USA Inc.. In fact, the possibility of renting trenchers represents a synergic critical success factor for the Group's customers since it allows to offer to 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 of the planned works and leaving the possibility to postponing the purchase to a later date.

The payable due for the consideration of the transaction, equal to Euro 9.4 million, is shown as an addition to Shareholders' Equity as a payment for a future capital increase, because on execution of the acquisition by Tesmec, the counterparty MTS executed its commitment to convert its receivable into a payment for a future capital increase of Tesmec.

Illustrated below are the net economic and financial effects deriving from the acquisition of the company 4 Service S.r.l. and of the related subsidiary MTS 4 Service USA Marais Group on the date of acquisition.

Accounting for business combination

Based on the reference accounting standards, acquisitions fall under the larger context of business combinations and the area of application of IFRS 3 "Business Combinations". It must also be noted that the transaction in question is a specific type of business combination that involves businesses under common control, both before and after the combination, i.e. a business combination in which all of the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory. Those types of combinations are excluded from the scope of application of IFRS 3. As a result, lacking specific references to IFRS standards or interpretations, the generally accepted principles should be applied. In particular, it is reasonable to consider that the selection of the most appropriate accounting standard to apply should be carried out based on the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Pursuant to that accounting standard, the fair value criterion was identified for recognition of the net assets transferred at the time of the transaction, deeming that that criterion reflects the economic substance of the transaction. In that sense, the economic substance consists of generating value added for the interested parties, which takes the form of significant increases in cash flows following the transaction as compared to the scenario before the transaction, which are made possible by the achievement of synergies between the Tesmec Group and 4 Service. Therefore, the choice of the recognition criterion privileged recognising the net assets transferred at the time of the transaction at fair value, in accordance with the acquisition method set out in IFRS 3. The recognition of the transaction is provisional as the process of determining the fair value of the net assets acquired has not been completed. This should be finalised within 12 months from the acquisition date, as permitted by IFRS 3. Therefore, for the purposes of drawing up the interim condensed consolidated financial statements as at 30 June 2020, the higher value of the net assets transferred has temporarily been allocated to tangible assets as already included in the 4 Service S.r.l. Balance Sheet, and Goodwill for the excess (Euro 129 thousand). Any adjustments deriving from the completion of the purchase price allocation will be included in the consolidated financial statements of the Tesmec Group as soon as that process is completed and, in any event, no later than the deadline set out in IFRS 3.

That approach is confirmed by the considerations set out in the Assirevi preliminary guideline ("OPI") no. 1, which comments on the "*Accounting treatment of business combinations under common control in separate and consolidated financial statements*".

The breakdown of assets and liabilities of 4 Service S.r.l., including the consolidated of the US subsidiary MTS 4 Service USA (as a whole considered as the "4 Service Group") acquired at their book value and their restated value, according to that illustrated above is shown below.

(Euro in thousands)	**4 Service Group**	**Adjustment to the Acquisition situation**	**Notes**	**Adjusted 4 Service Group**
NON-CURRENT ASSETS				
Intangible assets	13	(13)	a)	-
Property, plant and equipment	18,285			18,285
Rights of use	-	5,176	b)	5,176
Deferred tax assets	1,503	6	c)	1,509
TOTAL NON-CURRENT ASSETS	**19,801**	**5,169**		**24,970**
CURRENT ASSETS				
Trade receivables	2,227	-		2,227
Other current assets	1,249	(1,193)	b)	56
Cash and cash equivalents	266	-		266
TOTAL CURRENT ASSETS	**3,742**	**(1,193)**		**2,549**
TOTAL ASSETS	**23,543**	**3,976**		**27,519**
SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
Share capital	1,000	-		1,000
Reserves / (deficit)	7,954	(124)		7,830
Group net profit / (loss)	444	(3)		441
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**9,398**	**(127)**		**9,271**
Capital and reserves / (deficit) attributable to non-controlling interests	-	-		-
Net profit / (loss) for the period attributable to non-controlling interests	-	-		-
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**-**	**-**		**-**
TOTAL SHAREHOLDERS' EQUITY	**9,398**	**(127)**		**9,271**

NON-CURRENT LIABILITIES				
Non-current financial liabilities from rights of use	-	3,073	b)	3,073
Deferred tax liabilities	1,693			1,693
TOTAL NON-CURRENT LIABILITIES	**1,693**	**3,073**		**4,766**
CURRENT LIABILITIES				
Interest-bearing financial payables (current portion)	7,832	-		7,832
Current financial liabilities from rights of use	-	1,030	b)	1,030
Trade payables	4,561	-		4,561
Other current liabilities	59	-		59
TOTAL CURRENT LIABILITIES	**12,452**	**1,030**		**13,482**
TOTAL LIABILITIES	**14,145**	**4,103**		**18,248**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**23,543**	**3,976**		**27,519**

In determining the fair value of acquired assets and liabilities, the main differences identified refer:

a) write-down of intangible fixed assets of Euro 13 thousand relating to start-up and expansion costs;
b) recognition of right of use assets of Euro 5,176 thousand and financial liabilities from non-current rights of use of Euro 3,073 thousand and current rights of use of Euro 1,030 thousand relating to lease contracts existing at the date of acquisition and therefore recognised according to IFRS 16. This recognition generated a reduction in other current assets of Euro 1,193 thousand represented by the adjustment of prepaid expenses;
c) deferred tax assets of Euro 6 thousand of the entries made when measuring the assets and liabilities acquired.

The Net financial indebtedness of the entities acquired on the acquisition date is equal to Euro 12,201 thousand as detailed below.

(Euro in thousands)	**23rd April 2020**
Cash and cash equivalents	266
Current financial assets (1)	-
Current financial liabilities (which of related parties)	7,832
Current financial liabilities from rights of use	1,030
Current portion of derivative financial instruments	-
Current financial indebtedness (2)	**9,128**
Non-current financial liabilities	-
Non-current financial liabilities from rights of use	3,073
Non-current portion of derivative financial instruments	-
Non-current financial indebtedness (2)	**3,073**
Net financial indebtedness pursuant to CONSOB Communication no. DEM/6064293/2006	**12,201**

The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities measured at fair value was recognised as follows:

(Euro in thousands)	**Provisional Goodwill calculation**
Total consideration of the acquisition	9,400
4 Service Group shareholders’ equity	9,271
Difference provisionally allocated to Goodwill	**129**

With regards to the definition of the total consideration of the acquisition, it is noted that consideration was set in light of the results of the assessment drawn up by an independent expert to support the Board of Directors of Tesmec, and reflects the valuation derived from applying the market multiples method of comparable listed companies and the multiples method of comparable transactions using 2019 EBITDA as the reference parameter. In line with the Related Party Transactions Procedure, the Related Party Transaction Committee expressed a positive opinion of the transaction, also based on the positive conclusions of an additional independent expert assigned by that Committee to examine the transaction from the point of view of the Tesmec Group, with regard to (i) its economic grounds and (ii) its cost-effectiveness and fairness of substance.

4 Service Group contribution to the profit and loss for the period ended 30 June 2020

The economic contribution of the 4 Service Group in the period between the date of first consolidation (23 April 2020) and the end of the reporting period was as follows:

(Euro in thousands)	**Period from 23 April 2020 to 30 June 2020**
Revenues from sales and services	4,401
EBITDA	845
Operating Income	(76)
Net profit for the period	(208)

5. Activity, reference market and operating performance for the first six 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 30 June 2020. The following table shows the major economic and financial indicators of the Group as at June 2020 compared with the same period of 2019 and with 31 December 2019.

OVERVIEW OF RESULTS

30 June 2019	**Key income statement data** (Euro in millions)	**30 June 2020**
97.5	Operating Revenues	70.8
12.1	EBITDA	8.2
3.3	Operating Income	(1.6)
0.5	Group Net Profit	(3.9)
879	Average number of employees in the period	936
31 December 2019	**Key financial position data** (Euro in millions)	**30 June 2020**
164.2	Net Invested Capital	193.7
46.2	Shareholders' Equity	50.7
118.0	Net Financial Indebtedness	143.0
19.9	Investments in property, plant and equipment, intangible assets and rights of use	27.0

The information on the operations of the main subsidiaries in the reference period is shown. In order to In order to provide a clearer picture of the production volume of the individual subsidiaries, the following turnover values are reported at the aggregate level, also including intercompany transactions:

- 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 six months of 2020, revenues came to Euro 17.5 million.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa) controlled by Tesmec S.p.A. is 51% owned by Tesmec S.p.A. and 49% owned by Simest S.p.A. (with repurchase option by Tesmec S.p.A.). In the first six months, the company generated revenues of Euro 1.3 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 six months of the year generated revenues totalling Euro 5.8 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. (with repurchase option by Tesmec 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. As a whole, the Marais companies (including Tesmec Australia and Marais New Zealand) generated revenues totalling Euro 16.6 million during the first half of 2020.

- 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 six months of 2020, revenues amounted to Euro 4.3 million;

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail sector; on 1 May 2019, the company incorporated Tesmec Service S.r.l. In the first six months, the company generated revenues of Euro 11.1 million.

- 4 service S.r.l. and its subsidiary MTS4 Service Inc., companies acquired in April 2020 100% from Tesmec S.p.A. as described in paragraph 4*.1 Effects of the acquisition of the company 4 Service S.r.l.*, during the first half of 2020 generated revenues of Euro 0.5 million and Euro 4.7 million, respectively.

6. Income statement

6.1 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2020 with those as at 30 June 2019.
In the 2019 comparable period, the "*non-recurring other operating (costs)/revenues, net*" line included non-recurring revenues relating to the insurance refund paid for an accident that occurred at an Australian site in 2018 of Euro 1,328 thousand and that had an economic impact in 2018. Non-recurring costs of Euro 214 thousand (costs for services of Euro 189 thousand and other operating costs of Euro 25 thousand) relating to reorganisation costs in the Marais Group were also present.

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

	Half-year ended 30 June			
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**
Revenues from sales and services	**70,793**	**100.0%**	**97,455**	**100.0%**
Cost of raw materials and consumables	(28,010)	-39.6%	(43,202)	-44.3%
Costs for services	(13,356)	-18.9%	(17,732)	-18.2%
Non-recurring costs for services	-	0.0%	(189)	-0.2%
Payroll costs	(23,268)	-32.9%	(25,588)	-26.3%
Other operating (costs)/revenues, net	(949)	-1.3%	(3,642)	-3.7%
Non-recurring other operating (costs)/revenues, net	-	0.0%	1,303	1.3%
Amortisation and depreciation	(9,725)	-13.7%	(8,821)	-9.1%
Development costs capitalised	2,853	4.0%	3,786	3.9%

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Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	100	0.1%	(106)	-0.1%
Total operating costs	**(72,355)**	**-102.2%**	**(94,191)**	**-96.7%**
Operating income	**(1,562)**	**-2.2%**	**3,264**	**3.3%**
Financial expenses	(4,487)	-6.3%	(3,326)	-3.4%
Financial income	782	1.1%	1,080	1.1%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(24)	0.0%	42	0.0%
Pre-tax profit/(loss)	**(5,291)**	**-7.5%**	**1,060**	**1.1%**
Income tax	1,385	2.0%	(531)	-0.5%
Profit/(loss) for the period	**(3,906)**	**-5.5%**	**529**	**0.5%**
Profit/(loss) attributable to non-controlling interests	10	0.0%	4	0.0%
Group profit/(loss)	**(3,916)**	**-5.5%**	**525**	**0.5%**

Revenues

Total revenues as at 30 June 2020 decreased by 27.4% compared to those recorded in the first half 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.

	Half-year ended 30 June				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs 2019**
Sales of products	47,523	67.13%	64,040	65.71%	(16,517)
Services rendered	18,338	25.90%	18,873	19.37%	(535)
Changes in work in progress	4,932	6.97%	14,542	14.92%	(9,610)
Total revenues from sales and services	**70,793**	**100.00%**	**97,455**	**100.00%**	**(26,662)**

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.

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, comparing the first half of 2020 with the first half of 2019, showing that the Group maintains a percentage distribution of sales in line, with a focus on 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.

	Half-year ended 30 June	
(Euro in thousands)	**2020**	**2019**
Italy	13,759	22,203
Europe	17,499	18,573
Middle East	3,979	7,684
Africa	4,531	8,785
North and Central America	19,590	19,461
BRIC and Others	11,435	20,749
Total revenues	**70,793**	**97,455**

Operating costs

Operating costs amounted to Euro 72,355 thousand and decreased by 23.2% compared to the previous year as a percentage lower than the decrease in revenues.

EBITDA

In terms of margins, EBITDA amounted to Euro 8,163 thousand, down over the figure recorded in the first half of 2019 when it was equal to Euro 12,085 thousand. This result is mainly due to the impact of the spread of COVID-19 that led to a reduction in turnover and the consequent reduction in margins to cover fixed costs.
In the 2019 comparable period, the "*non-recurring other operating (costs)/revenues, net*" line included non-recurring revenues relating to the insurance refund paid for an accident that occurred at an Australian site in 2018 of Euro 1,328 thousand and that had an economic impact in 2018. Non-recurring costs of Euro 214 thousand (costs for services of Euro 189 thousand and other operating costs of Euro 25 thousand) relating to reorganisation costs in the Marais Group were also present.

A restatement of the income statement figures representing the performance of EBITDA is provided below with separate recognition of non-recurring costs and revenues:

	Half-year ended 30 June				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs 2019**
Operating income	(1,562)	-2.2%	3,264	3.3%	(4,826)
+ Amortisation and depreciation	9,725	13.7%	8,821	9.1%	904
EBITDA (*)	**8,163**	**11.5%**	**12,085**	**12.4%**	**(3,922)**
+ Non-recurring costs and revenues	-	0.0%	(1,114)	-1.1%	1,114
adj EBITDA (*)	**8,163**	**11.5%**	**10,971**	**11.3%**	**(2,808)**

(*****) The Interim consolidated 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. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

EBITDA: is represented by the operating income including amortisation/depreciation and can be directly inferred from the consolidated income statement.

Since the results for the period compared with those for the previous year may include unusual elements or unrelated to normal operation, with effects that make it difficult to make a comparison and that as a result might not allow a correct interpretation of the Group's profitability in the period compared with that of the previous year, the following alternative performance measure is also presented.

adj EBITDA (or adjusted EBITDA): is represented by EBITDA net of unusual elements or unrelated to normal operation that can be grouped in the following cases:
- net costs for non-recurring raw materials incurred in 2018 and related insurance refund recognised in the first half of 2019;
- costs incurred for corporate reorganisations.

Financial Management

	Half-year ended 30 June	
(Euro in thousands)	**2020**	**2019**
Net financial income/expenses	(2,495)	(2,598)
Foreign exchange gains/losses	(1,046)	337
Fair value adjustment of derivative instruments on exchange rates	(164)	15
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(24)	42
Total net financial income/expenses	**(3,729)**	**(2,204)**

The net financial management decreased compared to the same period of the previous financial year by Euro 1,525 thousand; we report the following changes:

- deterioration of Euro 1,383 thousand generated by the divergent trend in the exchange rates in the two reference periods, which resulted in recognising net losses totalling Euro 1,046 thousand (realised of Euro 262 thousand and unrealised of Euro 784 thousand) in the first half of 2020 against net profits of Euro 337 thousand in the first quarter of 2019;
- improvement by Euro 103 thousand of net financial income/expenses deriving from lower interest expense on medium/long-term loans of Euro 138 thousand.

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.

6.2 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 June 2020 compared to those as at 30 June 2019, broken down into three operating segments.

	Half-year ended 30 June				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs 2019**
Energy	16,770	23.7%	21,939	22.5%	(5,169)
Trencher	40,816	57.7%	59,179	60.7%	(18,363)
Rail	13,207	18.7%	16,337	16.8%	(3,130)
Total Revenues	**70,793**	**100.0%**	**97,455**	**100.0%**	**(26,662)**

As at 30 June 2020 consolidated revenues were Euro 70,793 thousand with a decrease of Euro 26,662 thousand compared to Euro 97,455 thousand as at 30 June 2019. This decrease is significantly affected by the slowdown in production activities following the health emergency from COVID-19, the stops of the movement of goods and the consequent lockdown. From May, the Group reopened its activities, reaching full operation in June and laying the foundations to support the growth in the second half of the year.

In the half year, the revenues from services amounted to Euro 18,338 thousand compared to Euro 18,873 thousand as at 30 June 2019, also thanks to the rental activities, therefore confirming the strategic choice to strengthen the positioning in such business through the acquisition of the 4Service Group. The block of activities mainly impacted the delivery of finished products and work in progress, recording revenues of Euro 52,455 thousand compared to Euro 78,582 thousand as at 30 June 2019.

In percentage terms, this decrease represents a negative change of 27.4%, which is split disparately between the Group's three business segments.

In detail, the proforma Revenues of the Trencher segment as at 30 June 2020 were Euro 40,816 thousand, with a decrease of 31.0% compared to Euro 59,179 thounsand at 30 June 2019. This performance has been impacted, since the beginning of March, by the slowdown in logistics and by the blocks of production and transport and rental activities. This impact has been partially mitigated by the recovery phase in the second half of May.

The Railway segment recorded Revenues as at 30 June 2020 of Euro 13,207 thounsand, with a decrease of 19.2% compared to the Euro 16,337 thousand as at 30 June 2019. This trend is essentially due to the slowdown in activities and the temporary closure of the Monopoli plant, impacts then mitigated by the relaunch of activities in May.

With reference to the Energy segment, revenues as at 30 June 2020 were Euro 16,770 thousand, with a decrease of 23.6% compared to Euro 21,939 thousand as at 30 June 2019. In particular, in the first half of the year, the Energy-Automation segment recorded revenues of Euro 3,737 thousand compared to Euro 5,041 thousand as at 30 June 2019 and it has been characterized by a slowdown due to production and transport blocks and by a billing process moved in July. Therefore, the growth prospects for this segment are not changed. The Stringing segment recorded revenues of Euro 13,033 thousand, compared to Euro 16,898 thousand as at 30 June 2019, with a reduction in turnover due to the slowdown and blocks of production activities from March to the first days of May.

EBITDA by segment

The tables below show the income statement figures as at 30 June 2020 compared to those as at 30 June 2019, broken down into three operating segments:

(Euro in thousands)	Half-year ended 30 June				
	2020	% of revenues	2019	% of revenues	2020 vs 2019
Energy	1,747	10.4%	2,841	12.9%	(1,094)
Trencher	4,494	11.0%	6,382	10.8%	(1,888)
Rail	1,922	14.6%	2,862	17.5%	(940)
EBITDA	**8,163**	**11.5%**	**12,085**	**12.4%**	**(3,922)**

(*****) The Interim consolidated 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.
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EBITDA: is represented by the operating income including amortisation/depreciation and can be directly inferred from the consolidated income statement.

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

- Energy: EBITDA increased from a value of Euro 2,841 thousand as at 30 June 2019 to a value of Euro 1,747 thousand as at 30 June 2020 due to COVID-19 which resulted in the postponement of billing in the months to come with the following reduction in the margin to cover fixed costs, with particular reference to the Energy-Automation segment;

- Trencher: the deterioration of the EBITDA from Euro 6,382 thousand in the first half of 2019 to Euro 4,494 thousand in 2020 it is due to the contraction in sales due to COVID-19, however, in percentage terms it is in line with the previous year;

- Rail: worsening in EBITDA from Euro 2,862 thousand in the first half of 2019 to Euro 1,922 thousand in 2020 is essentially due to the slowdown in activities and a different mix of work progress status for the period.

For more details on sector information, see the Explanatory note 19 "Segment Reporting" of this report.

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.

7. Summary of balance sheet figures as at 30 June 2020

Information is provided below on the Group's main equity indicators as at 30 June 2020 compared to 31 December 2019. In particular, the table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	As at 30 June 2020	As at 31 December 2019
USES		
Net working capital (1)	83,334	73,023
Fixed assets	103,925	86,947
Other long-term assets and liabilities	6,443	4,219
Net invested capital (2)	**193,702**	**164,189**
SOURCES		
Net financial indebtedness (3)	143,006	118,037
Shareholders' equity	50,696	46,152
Total sources of funding	**193,702**	**164,189**

(*****) The Interim consolidated 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. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

[1] **Net working capital**: is calculated as current assets net of current liabilities excluding financial assets and financial liabilities.
[2] **Net invested capital**: is calculated as net working capital plus fixed assets and other long-term assets less non-current liabilities.
[3] **Net financial indebtedness**: is calculated as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2020 and 31 December 2019:

(Euro in thousands)	**As at 30 June 2020**	**As at 31 December 2019**
Trade receivables	59,801	67,929
Work in progress contracts	17,881	16,320
Inventories	77,505	69,924
Trade payables	(50,878)	(57,514)
Other current assets/(liabilities)	(20,975)	(23,636)
Net working capital [1]	**83,334**	**73,023**

(*****) The Interim consolidated 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. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

[1] **Net working capital**: is calculated as current assets net of current liabilities excluding financial assets and financial liabilities.

Net working capital amounted to Euro 83,334 thousand, marking an increase of Euro 10,311 thousand (equal to 14.1%) compared to 31 December 2019. This trend is mainly due to the increase in the item "Inventories" of Euro 7,581 thousand (equal to 10.8%) arising from invoicing delays originating during the period of lock down, a decisive factor in supporting the sales forecast in the second half of the year, the decrease in "Trade payables" of Euro 6,636 thousand (equal to 11.5%), due to the reduction in purchases, more than offset by the decrease in the item "Trade receivables" of Euro 8,128 thousand (equal to 12.0%), due to the decrease in sales during the period.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 June 2020 and 31 December 2019:

(Euro in thousands)	**As at 30 June 2020**	**As at 31 December 2019**
Intangible assets	21,668	20,419
Property, plant and equipment	53,219	42,397
Rights of use	24,909	20,144
Equity investments in associates	4,126	3,984
Other equity investments	3	3
Fixed assets	**103,925**	**86,947**

Total *fixed assets* recorded a net increase of Euro 16,978 thousand mainly due to the increase in "Intangible assets" of Euro 10,822 thousand due to the acquisition of the company 4 Service S.r.l..

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 June 2020 and 31 December 2019:

(Euro in thousands)	As at 30 June 2020	of which with related parties and group	As at 31 December 2019	of which with related parties and group
Cash and cash equivalents	(25,058)		(17,935)	
Current financial assets [(1)]	(13,063)	(4,636)	(12,083)	(4,072)
Current financial liabilities	97,411	8,269	79,764	2,158
Current financial liabilities from rights of use	5,352		4,135	
Current portion of derivative financial instruments	7		6	
Current financial indebtedness [(2)]	**64,649**	***3,633***	**53,887**	***(1,914)***
Non-current financial liabilities	59,730	4,263	48,737	-
Non-current financial liabilities from rights of use	18,460		15,407	
Non-current portion of derivative financial instruments	167		6	
Non-current financial indebtedness [(2)]	**78,357**	**4,263**	**64,150**	**-**
Net financial indebtedness pursuant to CONSOB Communication no. DEM/6064293/2006	**143,006**	***7,896***	**118,037**	***(1,914)***
Shareholder loan	(10,536)	*(10,536))*	-	-
Net financial indebtedness before shareholder loan	**132,470**	***(2,640)***	**118,037**	***(1,914)***

(*****) The Interim consolidated 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. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

[(1)] Current financial assets as at 30 June 2020 and 31 December 2019 include the market value of shares that are considered cash and cash equivalent.

[(2)] Current and non-current financial indebtedness is not identified as an accounting measure under IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not necessarily be comparable therewith.

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.

Net financial indebtedness before shareholder loan is not identified as an accounting measure under IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not necessarily be comparable therewith. Net financial indebtedness before shareholder loan is identified as an alternative performance indicator at the time of presentation of this Half-Year Financial Report and as such it should not be considered as an alternative measure to those provided by the Group financial statements for the assessment of the Group's financial position.

In the first six months of 2020, the Group's net financial indebtedness increased by Euro 24,969 thousand (+21,2%) 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 4,263 thousand and other payables to shareholders for 6,273 thousand deriving from the business combination with the 4 Service Group. Net of the payables to shareholders deriving from the business combination with the 4 Service Group, the Net Financial Indebtedness increased by 15.8%, essentially in line with the growth in net working capital.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 10,762 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 8,103 thousand;

- increase in current financial liabilities of Euro 18,864 thousand mainly due to the reclassification in the short-term portion of the bond issue signed on 10 April 2014 on the Extra MOT PRO market and expiring on 10 April 2021;

▪ increase in medium/long-term financial indebtedness of Euro 14,207 thousand relating mainly to the shareholder loan mentioned above and the signing of new medium/long-term loans for a total of Euro 34,282 thousand.

The existing loan agreements and bond issues contractually provide for the calculation of the financial covenants based on net financial indebtedness calculated on the consolidated financial statements as at 31 December and prior to the application of IFRS 16. The net financial indebtedness prior to the application of IFRS 16, as at 30 June 2020, is equal to Euro 119,194 thousand with an increase of Euro 20,699 thousand compared to the end of 2019.

8. Management and types of financial risk

The current socio-economic situation is marked by a high level of uncertainty due to the COVID-19 pandemic. The new socio-economic context resulted in a review of the main risks and uncertainties that regarded the development of financial requirements and the management of operations, as well as the need to guarantee sanitary and hygienic conditions in workplace. In relation to that situation of uncertainty, in addition to implementing initiatives to reduce the costs previously described and to strengthen the net financial and liquidity positions, the Group launched a phase of revision of the medium and long-term projections, which will be concluded with the preparation of the new 2020-2023 Business Plan, in the context of the share capital increase resolved by the Shareholders' Meeting of 21 May 2020, which is expected to be executed in the short term. In that context, based on the forward-looking data for the short-term, liquidity risk is deemed to be mitigated. Refer to the paragraph "Business outlook" below for consideration on the business continuing as a going concern.

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, we specify that no transactions took place with related parties of an atypical or unusual nature that are far removed from the company's normal operations or such as to harm the profits, balance sheet or financial results of the Group.

As previously illustrated, during the half-year ended 30 June 2020, we note the following transactions of greater importance:

- signing of a shareholder loan (with the related parties TTC S.r.l. and MTS-Officine Meccaniche di Precisione S.p.A.) 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%, disbursed on 30 June 2020 for Euro 4.3 million;
- acquisition from the related party MTS-Officine Meccaniche di Precisione S.p.A. of 100% of the share capital of 4 Service S.r.l., a company operating in the business of trencher rentals, for a consideration of Euro 9.4 million. MTS converted its receivable relating to the payment of the consideration into a payment for future capital increase of Tesmec.

Both transactions were approved by the Control and Risk Committee, which carries out functions of the Related Party Transactions Committee of the Company.

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

10. Group Employees

Average Group headcount in the first half-year of 2020, including employees of companies that are fully consolidated, is 936 compared to 879 in the first half of 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, 30 June 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 half-year and the previous year.

Events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- in July, the parent company Tesmec S.p.A. finalised obtaining the new financing that will be disbursed during the year for an additional total amount of Euro 32.5 million, disbursed by ICCREA, CdP (Cassa Depositi e Prestiti S.p.A.), Deutsche Bank and Sparkasse through *Garanzia Italia*, the instrument from the "*Liquidity Decree*" implemented to support Italian companies hit by the COVID-19 emergency. This new financing, along with the new financing obtained from banks during the half-year (INTESA - Euro 10 million and Banca Progetto - Euro 2.5 million, secured credit line of Euro 7.7 million made available to the subsidiary Marais) bring the new credit lines obtained by the Group to around Euro 58 million, demonstrating the confirmed support of the banking system to recovery and to supporting the Group's medium and long-term plans;

- on 7 July 2020 the purchase for Euro 1 million of the factory located in Patrica (FR), which was previously leased, was finalised. This transaction was concluded with the related party Dream Immobiliare S.r.l..

Business outlook

The extraordinary and unpredictable spread of the COVID-19 pandemic has had socio-economic consequences both nationally and internationally, negatively impacting short-term performance. The recovery phase, started from the first days of May, allowed the Group to be ready for a second half-year which projected revenues in line with the second half of previous years and the consequent improvement for year end 2020 in EBITDA and the ratio of net financial position on EBITDA, compared to values recorded in the first half of 2020. With regards to these parameters it is possible that the covenants set out in the contracts for certain outstanding loans might not be complied with. In that regard, and more generally with regard to the short-term as well as medium/long-term time horizons, we note that as part of the afore-mentioned process of drawing up the new Business Plan, the share capital increase mandated by the Shareholders' Meeting of 21 May 2020, which is expected to be finalised in the short-term, as well as the new lines of financing recently made available by the Group's lending banks, equal to around Euro 58 million, demonstrating the confirmed support of the banking system to the Group's development, constitute elements that should mitigate liquidity risk and, thus, confirm the adequacy of the going concern assumption. In the second half, we expect cash flow generation associated to reduction of investments, reduction of net working capital accumulated around the end of the six months period, and recovered of profitability, due to greater coverage of fixed costs and the contribution to the Group deriving from full integration, for the entire period, of the rental business due to the acquisition of the 4 Service Group finalised in the first half. The Group is operating with full flexibility and, unlike previous years, is fully operational in July and August, months of growth for orders and turnover. The Group's management confirms the medium/long-term growth drivers, which are based on strategic pillars such as Energy Transition, safety, diagnostics and the digitalisation of infrastructures, as well as a strategy based on those drivers and on the sustainability of the technologies in the portfolio.

These targets, defined during a time of great uncertainty, may be susceptible to changes linked to the unpredictable trend of further possible developments of the COVID-19 pandemic. These targets are set in the assumption that the pandemic situation remains stable and / or better in Europe and that it does not get worse in other areas of the world, such as the United States and Latin America. Even though the COVID-19 pandemic significantly impacted performance in the first half of 2020, based on the knowledge we have to date, we deem that that situation has not had material consequences on the medium-term ordinary business of the Group.

The Group's operating sectors, in fact, will benefit from new investments and development policies aimed at strengthening the key infrastructures of the main countries. Huge investments are planned in the trencher sector to strengthen telecommunications networks with the consequent increase in excavation and connection projects. The railway sector is benefiting from a significant increase in investments to reduce congestion in the movement of road vehicles and increase sustainable mobility. In the Energy sector, the transition to renewable energy sources, as well as the growing importance of the efficiency of electricity grids will drive to investments to support these trends The Group's business is focused on strategic sectors which are characterized by extreme vivacity and have significant development prospects.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2020 and as at 31 December 2019

(Euro in thousands)	Notes	30 June 2020	31 December 2019
NON-CURRENT ASSETS			
Intangible assets	5	21,668	20,419
Property, plant and equipment	6	53,219	42,397
Rights of use	7	24,909	20,144
Equity investments in associates evaluated using the equity method		4,126	3,984
Other equity investments		3	3
Financial receivables and other non-current financial assets		2,576	2,745
Derivative financial instruments	16	2	4
Deferred tax assets		13,999	11,889
Non-current trade receivables		1,871	516
TOTAL NON-CURRENT ASSETS		**122,373**	**102,101**
CURRENT ASSETS			
Work in progress contracts	8	17,881	16,320
Inventories	9	77,505	69,924
Trade receivables	10	59,801	67,929
of which with related parties:	*10*	*2,931*	*5,518*
Tax receivables		1,255	1,045
Other available-for-sale securities	16	1	2
Financial receivables and other current financial assets	11	13,062	12,081
of which with related parties:	*11*	*4,636*	*4,072*
Other current assets		7,979	9,214
Cash and cash equivalents		25,058	17,935
TOTAL CURRENT ASSETS		**202,542**	**194,450**
TOTAL ASSETS		**324,915**	**296,551**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	10,708	10,708
Reserves / (deficit)	12	43,854	32,427
Group net profit / (loss)	12	(3,916)	2,967
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**50,646**	**46,102**
Capital and reserves / (deficit) attributable to non-controlling interests		40	36
Net profit / (loss) for the period attributable to non-controlling interests		10	14
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**50**	**50**
TOTAL SHAREHOLDERS' EQUITY		**50,696**	**46,152**
NON-CURRENT LIABILITIES			
Medium/long-term loans	13	49,859	23,972
of which with related parties:	*13*	*4,263*	*-*
Bond issue	14	9,871	24,765
Non-current financial liabilities from rights of use		18,460	15,407
Derivative financial instruments	16	167	6
Employee benefit liability		4,565	4,451
Deferred tax liabilities		6,690	5,771
Provisions for risks and charges		-	88

Other long-term liabilities		750	625
Non-current trade payables		-	-
TOTAL NON-CURRENT LIABILITIES		**90,362**	**75,085**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	15	82,459	79,764
of which with related parties:	*15*	*8,269*	*2,158*
Bond issue	14	14,952	-
Current financial liabilities from rights of use		5,352	4,135
Derivative financial instruments	16	7	6
Trade payables		50,878	57,514
of which with related parties:		*3,275*	*3,143*
Advances from customers		1,800	3,641
of which with related parties:		-	*13*
Income taxes payable		1,139	1,807
Provisions for risks and charges		3,179	3,104
Other current liabilities		24,091	25,343
TOTAL CURRENT LIABILITIES		**183,857**	**175,314**
TOTAL LIABILITIES		**274,219**	**250,399**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**324,915**	**296,551**

Consolidated income statement for the half-year ended 30 June 2020 and 2019

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2020**	**2019**
Revenues from sales and services	17	**70,793**	**97,455**
of which with related parties:	*17*	*3,766*	*6,564*
Cost of raw materials and consumables		(28,010)	(43,202)
of which with related parties:		*(11)*	-
Costs for services		(13,356)	(17,921)
of which with related parties:		*(31)*	*(65)*
Payroll costs		(23,268)	(25,588)
Other operating (costs)/revenues, net		(949)	(2,339)
of which with related parties:		*(640)*	*(2,232)*
Amortisation and depreciation		(9,725)	(8,821)
Development costs capitalised		2,853	3,786
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		100	(106)
Total operating costs	18	**(72,355)**	**(94,191)**
Operating income		**(1,562)**	**3,264**
Financial expenses		(4,487)	(3,326)
of which with related parties:		*(205)*	*(61)*
Financial income		782	1,080
of which with related parties:		*48*	*44*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		(24)	42
Pre-tax profit/(loss)		**(5,291)**	**1,060**
Income tax		1,385	(531)
Net profit/(loss) for the period		**(3,906)**	**529**
Profit/(loss) attributable to non-controlling interests		**10**	**4**
Group profit/(loss)		**(3,916)**	**525**
Basic and diluted earnings/(losses) per share		**(0.037)**	**0.005**

Consolidated statement of comprehensive income for the half-year ended 30 June 2020 and 2019

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2020**	**2019**
NET PROFIT/(LOSS) FOR THE PERIOD		**(3,906)**	**529**
Other components of comprehensive income			
Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	12	(950)	197
Other components of comprehensive income that will not be subsequently reclassified to net income/(loss) for the year:			
Actuarial profit/(loss) on defined benefit plans		-	(265)
Income tax		-	62
		-	(203)
Total other income/(losses) after tax		**(950)**	**(6)**
Total comprehensive income (loss) after tax		**(4,856)**	**523**
Attributable to:			
Shareholders of Parent Company		(4,856)	519
Non-controlling interests		-	4

Statement of consolidated cash flows as at 30 June 2020 and 2019

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2020**	**2019**
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		(3,906)	529
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	5-6-7	9,725	8,821
Provisions for employee benefit liability		-	179
Provisions for risks and charges / inventory obsolescence / doubtful accounts		993	915
Employee benefit payments		114	(139)
Payments of provisions for risks and charges		(249)	(80)
Net change in deferred tax assets and liabilities		(1,289)	(554)
Change in fair value of financial instruments	16	164	(15)
Change in current assets and liabilities:			
Trade receivables	10	4,476	801
of which with related parties:	*10*	*2,574*	*187*
Inventories	9	(9,956)	(24,507)
Trade payables		(6,419)	3,475
of which with related parties:		*132*	*(305)*
Other current assets and liabilities		(765)	2,082
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(7,112)**	**(8,493)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(10,264)	(4,194)
Investments in intangible assets	5	(5,141)	(4,553)
Investments in Rights of use	7	(2,167)	(1,545)
(Investments) / disposals of financial assets		(989)	736
of which with related parties:		*151*	*151*
Change in the consolidation area	6-7	(17,521)	-
Proceeds from sale of property, plant and equipment and rights of use	5-6-7	8,086	1,857
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(27,996)**	**(7,699)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	13	27,103	7,103
of which with related parties:	*13*	*4,263*	-
Recognition of financial liabilities from rights of use		7,179	1,545
Repayment of medium/long-term loans	15	(2,594)	(3,808)
Repayment of financial liabilities from rights of use		(2,909)	(1,511)
Net change in short-term financial debt	15	4,250	(8,751)
of which with related parties:		*6,111*	*(233)*
Other changes	12	9,400	-
NET CASH FLOW GENERATED BY / (USED IN) FINANCING ACTIVITIES (C)		**42,429**	**(5,422)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**7,321**	**(21,614)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(198)	245
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)		**25,058**	**21,424**
Additional information:			
Interest paid		2,240	2,648
Income tax paid		265	196

Statement of changes in consolidated shareholders' equity for the half-year ended 30 June 2020 and 2019

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net 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	-	-	-	-	-	-	(3,916)	(3,916)	10	(3,906)
Other profits/(losses)	-	-	-	-	(940)		-	(940)	(10)	(950)
Total comprehensive income/(loss)								**(4,856)**	**-**	**(4,856)**
Future capital increase	-	-	-	-	-	9,400	-	9,400	**-**	9,400
Allocation of profit for the period	-	-	-	-	-	2,967	(2,967)	-	-	-
Balance as at 30 June 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,088**	**29,051**	**(3,916)**	**50,646**	**50**	**50,696**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net 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	-	-	-	-	-	-	525	525	4	529
Other profits/(losses)	-	-	-	-	197	(203)	-	(6)	-	(6)
Total comprehensive income/(loss)								**519**	**4**	**523**
Allocation of profit for the period	-	-	-	-	-	28	(28)	-	-	-
Balance as at 30 June 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,532**	**17,342**	**525**	**43,822**	**39**	**43,861**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2020

1. Company information

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

2. Reporting standards

The consolidated financial statements as at 30 June 2020 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS) by using the methods for preparing interim financial reports provided by IAS 34 "Interim Financial Reporting".

The accounting standards adopted in preparing the interim consolidated financial statements as at 30 June 2020 are those adopted for preparing the consolidated financial statements as at 31 December 2019 in compliance with IFRS, except as indicated in paragraph 4. New accounting standards, interpretations and amendments adopted by the Group.

As required by the communications from ESMA, CONSOB and IOSCO[2] , in this context of uncertainty caused by the COVID-19 pandemic, which constitutes a trigger event that requires that impairment testing be conducted on non-current assets, different from the usual six-month closing procedures, a process of estimation of any impairment of non-current assets was carried out, as illustrated further on in these explanatory notes.

It should be noted that the preparation of the interim condensed consolidated financial statements requires Directors to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the information regarding potential assets and liabilities on the date of the interim condensed consolidated financial statements. In the event that in future these estimates and assumptions, which are based on the Directors' best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. It should also be noted that some measurement processes relating to the estimate of revenues and progress of job orders, the calculation of any impairment of non-current assets and the estimate of adjustment funds of current assets are generally carried out in full only when the annual financial statements are prepared, when all of the information that may be required is available, unless - for what concerns the calculation of any impairment of non-current assets - there are impairment indicators such as the circumstances indicated above caused by the COVID-19 pandemic, that require the immediate measurement of any impairment loss.

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, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

In the interim condensed consolidated financial statements, the income statement and cash flow statement data for the half-year is compared with that for the same period of the previous year. The net financial position and the items of the consolidated statement of financial position as at 30 June 2020 are compared with the corresponding final data as at 31 December 2019.

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[2] ESMA - "Implications of the COVID-19 outbreak on the half-yearly financial reports" of 20 May 2020, CONSOB – "Empashis Matter" 6/2020 of 9 April 2020 and 8/2020 of 16 July 2020 and IOSCO - "Statement on Importance of Disclosure about COVID-19" of 29 May 2020

Since the interim consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, it must be read together with the consolidated financial statements as at 31 December 2019.

The consolidated financial statements as at 30 June 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 as required by IAS 34 (31 December 2019 for the statement of financial position and the first half-year of 2019 for the consolidated income statement, consolidated comprehensive income statement, statement of changes in shareholders' equity and cash flow).

The interim condensed consolidated financial statements at June 30, 2020 are prepared on a going concern basis. In that regard, we note that, also due to the impacts of the COVID-19 pandemic on the Group's economic and financial performance, it is possible that at the end of 2020, with regard to the EBITDA and the Net Financial Position, it is possible that the covenants set out in the contracts for certain outstanding loans might not be complied with. In that regard, and more generally with regard to the short-term as well as medium/long-term time horizons, we note that the share capital increase mandated by the Shareholders' Meeting of 21 May 2020, which is expected to be finalised in the short-term, as well as the new lines of financing recently made available by the Group's lending banks, equal to around Euro 58 million, demonstrating the confirmed support of the banking system to the Group's development, constitute elements that should mitigate liquidity risk and, thus, confirm the adequacy of the going concern assumption.

The interim condensed consolidated financial statements at June 30, 2020 adopt the Euro as the presentation currency. The interim consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

The issue of the interim condensed consolidated financial statements of the Tesmec Group for the period ended 30 June 2020 was authorised by the Board of Directors on 5 August 2020.

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 half-year ended 30 June		**End-of-period exchange rate as at 30 June**	
	2020	**2019**	**2020**	**2019**
US Dollar	1.114	1.130	1.120	1.138
Russian Rouble	73.849	73.722	79.630	71.598
South African Rand	18.311	16.044	19.443	16.122
Renminbi	7.741	7.667	7.922	7.819
Qatari Riyal	4.054	4.112	4.076	4.142
Algerian Dinar	136.995	134.454	144.530	135.145
Tunisian Dinar	3.151	3.394	3.201	3.272
Australian Dollar	1.678	1.600	1.634	1.624
New Zealand Dollar	1.760	1.682	1.748	1.696
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	10,367.910	10,298.891	10,742.332	10,417.386

3. Consolidation methods and area

As at 30 June 2020, the consolidation area changed with respect to that as at 31 December 2019:

- on 23 April 2020, Tesmec S.p.A. purchased from the related party MTS - Officine Meccaniche di Precisione S.p.A. 100% of the share capital of 4 Service S.r.l., a company operating in the trencher rental business also through its subsidiary MTS4Service USA LLC.

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

The accounting standards adopted for the preparation of the interim condensed consolidated financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2019, with the exception of the adoption as of 1 January 2020 of the new standards and amendments. The Group has not adopted in advance any new standard, interpretation or amendment issued but not yet in force.
Several other amendments and interpretations are applied for the first time in 2020 but have no impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 3: Definition of business
The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. It also clarified that a business can exist without including all of the inputs and processes needed to create outputs. These changes had no impact on the Group's consolidated financial statements but could have an impact on future financial years should the Group carry out business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of expedients that apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments did not have any impact on the Group's consolidated financial statements in that the Group does not have any interest rate hedging transactions in place.

Amendments to IAS 1 and IAS 8: Definition of material
The amendments provide a new definition of material that states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".
Materiality depends on the nature or extent of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole.
The information is obscuring if it is disclosed in such a way as to have, for the primary users of the financial statements, an effect similar to the omission or misstatement of the same information.
These amendments had no impact on the consolidated financial statements and are not expected to have any future impact on the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts it contains takes precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to support the IASB in developing standards, to help the compilers develop consistent accounting policies where there are no standards applicable in the specific circumstances and to help all parties involved to understand and interpret the standards.
The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
These amendments had no impact on the Group's consolidated financial statements.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

5. Intangible assets

The breakdown and changes in "Intangible assets" for the period ended 30 June 2020 are shown in the table below:

(Euro in thousands)	01/01/2020	Increases due to purchases	Decreases	Amortisation	Reclassifications	Exchange rate differences	30/06/2020
Development costs	16,570	3,243	-	(3,434)	-	5	16,383
Rights and trademarks	2,447	31	(5)	(455)	-	-	2,018
Other intangible assets	24	-	-	(3)	-	-	21
Assets in progress and advance payments to suppliers	1,378	1,738	-	-	-	-	3,116
Goodwill	-	129	-	-	-	-	129
Total intangible assets	**20,419**	**5,141**	**(5)**	**(3,892)**	**-**	**5**	**21,668**

As at 30 June 2020, *intangible assets* totalled Euro 21,668 thousand, up Euro 1,249 thousand on the previous year. The change mainly refers to:

- development costs, which increased by Euro 3,243 thousand in the first six months of 2020, and amortisation for the period of Euro 3,434 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;
- Goodwill for Euro 129 thousand, related to the acquisition of the company 4 Service S.r.l. as previously described in paragraph *4.1 Effects of the acquisition of the company 4 Service S.r.l.* in the report on operations.

As anticipated, the COVID-19 pandemic constitutes a "trigger event" which makes it necessary to carry out impairment tests.

In accordance with the requirements of IAS 36, the book value of non-current assets was tested for impairment, which was specifically approved by the Board of Directors on 5 August 2020.

According to IAS 36, the recoverable amount is the higher between the market value (fair value) and the value in use.

Fair value is the income obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, net of directly attributable expenses. Depending on the circumstances, this value is determined on the basis of the agreed price if there is a binding sale agreement established in an uncontrolled transaction (net of disposal costs) or the market price, less selling costs, if the asset is traded in an active market. Conversely, value in use is the discounting back of expected cash flows by applying an appropriate rate (equal to the weighted average cost of capital). The impairment loss resulting from the impairment test is measured by the excess of the carrying amount of the asset over its recoverable amount.

The operating cash flows used for the purpose of impairment testing derive from the plans of the single Cash Generating Units drawn up by the management in accordance with the guidelines of the new Business Plan being drawn up. The estimate of those cash flows include the assumptions of the Directors consistent with the strategy of the Tesmec Group in the individual businesses and markets in which it operates and also depend on external variables not controllable by the management such as exchange rate and interest rate trends, infrastructure investments in the countries where the group operates, macro political or social factors of local or global impact.

Based on these operating cash flows, the value in use of the Cash Generating Unit was estimated using the Discounted Cash Flow (DCF) method, i.e. the discounting back of future operating cash flows until the end of its useful life. The net operating cash flows estimated for this purpose were derived from the above mentioned plans according to the generally used "unlevered" approach, according to which flows are calculated regardless of the financial structure of the company.

The weighted average cost of capital (WACC) used for discounting operating cash flows for the explicit period and for calculating the terminal value was determined differently depending on the country of reference, as detailed in the table below, in comparison with the rates adopted for the purposes of the impairment tests of 31 December 2019:

	WACC 30 June 2020	WACC 31 December 2019
Marais Technologies SA	8.30%	7.60%
Tesmec USA, Inc.	9.50%	9.40%
Tesmec Automation S.r.l.	8.90%	9.40%
Condux Tesmec, Inc.	8.30%	8.40%
Tesmec SA (Pty) Ltd.	16.70%	15.00%
Tesmec Rail S.r.l.	7.30%	8.90%
Tesmec Peninsula WLL	11.90%	10.90%
OOO Tesmec RUS	13.60%	14.20%
Tesmec New Technology (Beijing) LTD	9.60%	9.30%
Tesmec Australia Ltd.	9.20%	8.80%

For the estimate of cash flows beyond the explicit forecast period, the terminal value was determined on the basis of a g growth rate of 1%.

The estimate of the reference WACC compared with the same estimate made as at 31 December 2019 generally shows an increase in the discount rates used, deriving from the context of increasing uncertainty of future scenarios, also due to the COVID-19 pandemic. Moreover, we note that in limited cases where those interest rates show a lower level, conducting impairment tests with the same rate used as at 31 December 2019 would not have caused results differing from the impairment testing as at 30 June 2020.

The sensitivity analysis did not reveal any impairment losses.

6. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" for the period ended 30 June 2020 are shown in the table below:

(Euro in thousands)	01/01/2020	Increases due to purchases	Change in the consolidation area	Decreases	Depreciation	Reclassifications	Exchange rate differences	30/06/2020
Land	2,989	-	-	-	-	-	-	2,989
Buildings	15,158	152	-	-	(311)	-	16	15,015
Plant and machinery	3,522	386	-	-	(415)	518	3	4,014
Equipment	1,045	56	-	-	(205)	(50)	-	846
Other assets	19,004	9,587	12,345	(8,041)	(2,444)	(26)	(310)	30,115
Assets in progress and advance payments to suppliers	679	83	-	-	-	(522)	-	240
Total property, plant and equipment	**42,397**	**10,264**	**12,345**	**(8,041)**	**(3,375)**	**(80)**	**(291)**	**53,219**

As at 30 June 2020, property, plant and equipment totalled Euro 53,219 thousand, up compared to the previous year by Euro 10,822 thousand.
The change is mainly due to the increase in trencher machines registered in the fleet of Euro 9,587 thousand, following the drawing-up of new lease contracts and change in the consolidation area of Euro 12,345 thousand following the entry of 4 Service S.r.l. and its subsidiary MTS4 Service USA.
As illustrated in greater detail in paragraph *4.1 Effects of the acquisition of the company 4 Service S.r.l.* in the report on operations, that acquisition is a specific type of business combination that involves businesses under common control, both before and after the combination, i.e. a business combination under common control, and was recognised in the financial statements as fair value, based on the considerations set out in the Assirevi preliminary guideline ("OPI") no. 1, which comments on the "Accounting treatment of business combinations under common control in separate and consolidated financial statements". In fact, it was deemed that the fair value criterion reflects the economic substance of the transaction,

which consists of generating value added for the interested parties, which can be measured as significant increases in cash flows following the transaction as compared to the scenario before the transaction, which are made possible by the achievement of synergies between the Tesmec Group and 4 Service.

7. Rights of use

The breakdown and changes in "Rights of use" for the period ended 30 June 2020 are shown in the table below:

(Euro in thousands)	01/01/2020	Increases due to purchases	Change in the consolidation area	Decreases	Depreciation	Reclassifications	Exchange rate differences	30/06/2020
Buildings - rights of use	15,286	204	-	(35)	(1,326)	-	(44)	14,085
Plant and machinery - rights of use	391	-	-	-	(34)	-	1	358
Equipment - rights of use	25	-	-	-	(4)	-	-	21
Other assets - rights of use	4,442	1,963	5,176	(5)	(1,094)	(8)	(29)	10,445
Total rights of use	**20,144**	**2,167**	**5,176**	**(40)**	**(2,458)**	**(8)**	**(72)**	**24,909**

The item rights of use as at 30 June 2020 amounted to Euro 24,909 thousand, increasing by Euro 4,765 thousand compared to the previous financial year due to the change in the consolidation area of Euro 5,176 thousand following the entry of 4 Service S.r.l. and its subsidiary MTS4 Service USA.

8. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	30 June 2020	31 December 2019
Work in progress (Gross)	26,737	22,251
Advances from contractors	(8,856)	(5,931)
Work in progress contracts	**17,881**	**16,320**

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

9. Inventories

The following table provides a breakdown of Inventories as at 30 June 2020 compared to 31 December 2019:

(Euro in thousands)	30 June 2020	31 December 2019
Raw materials and consumables	44,552	40,065
Work in progress	14,673	13,885
Finished products and goods for resale	17,726	15,033
Advances to suppliers for assets	554	941
Total inventories	**77,505**	**69,924**

The item *inventories* compared to 31 December 2019 increased by Euro 7,581 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 starting from the beginning of March.

10. Trade receivables

The following table provides a breakdown of "Trade receivables" as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	30 June 2020	31 December 2019
Trade receivables from third-party customers	56,870	62,411
Trade receivables from associates, related parties and joint ventures	2,931	5,518
Total trade receivables	**59,801**	**67,929**

Trade receivables decreased by Euro 8,128 thousand compared to 31 December 2019 reflecting the decrease in sales in the half-year.

11. Financial receivables and other current financial assets

The following table provides a breakdown of "Financial Receivables and other current financial assets" as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	30 June 2020	31 December 2019
Financial receivables from associates, related parties and joint ventures	4,636	4,072
Financial receivables from third parties	7,920	7,959
Other current financial assets	506	50
Total financial receivables and other current financial assets	**13,062**	**12,081**

The increase in *current financial assets* from Euro 12,081 thousand to Euro 13,062 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.

12. Share capital and reserves

The following table provides a breakdown of Other reserves as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	30 June 2020	31 December 2019
Revaluation reserve	86	86
Extraordinary reserve	37,499	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
Future capital increase reserve	9,400	-
Retained earnings/(losses brought forward)	(13,509)	(11,807)
Bills charged directly to shareholders' equity		
on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**29,051**	**16,684**

The *revaluation reserve* is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law no. 72/1983.

As a result of the resolution of 21 May 2020, with the approval of the 2019 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the profit of the parent company of Euro 4,232 thousand to the extraordinary reserve.
The *future capital increase reserve* of Euro 9,400 thousand refers to the conversion of the consideration paid for the acquisition of 4 Service S.r.l.. As a result of this acquisition, MTS converted its receivable into a payment for a future capital increase in Tesmec.

13. Medium/long-term loans

During the first six months of 2020, medium-long term loans increased from Euro 23,972 thousand to Euro 49,859 thousand mainly due to the taking out of new medium/long-term loans offset by reclassification in current financial indebtedness of the current portion of medium/long-term loans.

The following table shows the breakdown thereof as at 30 June 2020 as at 31 December 2019, with separate disclosure of total loan and current portion:

	30 June		31 December	
(Euro in thousands)	2020	of which current portion	2019	of which current portion
Simest UGF	-	-	141	141
ICCREA BANCA/BCC	1,189	714	1,173	465
Credit Agricole Cariparma	444	444	442	442
Banca Monte dei Paschi di Siena	831	831	828	828
Banco di Desio e della Brianza	78	78	193	193
BPER Banca	1,287	766	1,282	1,023
Banca del Mezzogiorno - Mediocredito Centrale (MCC)	1,498	998	1,498	1,498
Deutsche Bank	186	186	373	373
Banca Popolare di Sondrio	1,028	189	1,217	764
Banco BPM	1,734	165	1,733	334
Banco BPM	2,493	237	2,491	480
Banco BPM	1,507	416	1,501	273
Banco di Desio e della Brianza	315	188	501	501
Credito Valtellinese Motore Impresa	403	403	601	601
ICCREA BANCA/BCC	2,342	491	2,591	493
Mutuo BCC	-	-	469	468
Mutuo Sparkasse	998	146	996	321
Coamerica	2,241	277	2,372	276
Coamerica	493	-	-	-
Pret senior	1,045	1,045	1,045	1,045
ICCREA BANCA/BCC	3,000	1,200	3,000	900
BPI	75	50	75	50
ADEME	333	-	333	-
Wetppac Business Bank -Australie	284	110	328	112
National Australian Bank Limited	244	98	300	100
Flexigroup truck Isizu	45	12	52	14
Thorn Finance truck	25	6	30	7
Credito Adesso Creval	250	250	247	247
Mutuo BCC Anagni	-	-	11	11

UBI Banca	4,643	1,161	5,223	1,161
Mutuo B.P. Bari	1,868	534	1,970	641
Banca progetto	1,773	(4)	-	-
Banca progetto	690	(2)	-	-
ICCREA BANCA/BCC	988	659	-	-
Banca HSBC	467	165	-	-
Banca Intesa San Paolo	9,909	(17)	-	-
Banca di Credito Cooperativo	798	530	-	-
SG (BPI PGE)	700	-	-	-
BNP (BPI PGE)	400	-	-	-
MP (BPI PGE)	4,400	-	-	-
CRCA (BPI PGE)	1,000	-	-	-
BPGO (BPI PGE)	1,200	-	-	-
Finanziamento soci	4,263	-	-	-
Total medium/long-term loans	**57,467**	**12,326**	**33,016**	**13,762**
less current portion	(12,326)		(13,762)	
Non-current portion of medium/long-term loans	**45,141**		**19,254**	
Medium/long-term loan due to Simest	8,718	4,000	8,718	4,000
less current portion	(4,000)		(4,000)	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**49,859**	**16,326**	**23,972**	**17,762**

Some loan contracts contain financial covenant provisions. In particular, they require that parameters, calculated on the basis of the financial statements of the Group, have to be met; they are verified on an annual basis.

In general, covenants are based on the observance of the following relations:

- Net Financial Position / EBITDA;
- Net Financial Position/Shareholders' equity;
- Effective Net Worth;
- Debt Service Coverage Ratio.

Based on the results of the financial statements of the Company and the Tesmec Group as at 31 December 2019, one financial covenant relating to the Net Financial Position/EBITDA ratio towards two credit institutions was not respected. However, this non-compliance resulted in the short-term recognition of the residual medium/long-term portion only of the loan outstanding with Istituto Bancario Mediocredito Centrale of Euro 500 thousand, in that only the current portion remains with the other bank. Currently, the Group believes that there are reasons to believe that the waiver will be granted in the time frame strictly necessary. Moreover, also on the basis of the most updated forecasts regarding the Group’s income and profit performance, it is believed that as of the date of the next test of compliance with the covenants, it is possible that those covenants may not be complied with for several of the outstanding loans. In that regard, we note that the financial resources recently made available by the Group’s lending banks, equal to around Euro 58 million, are elements that may suitably mitigate liquidity risk, in the context of the share capital increase mandated by the Shareholders’ Meeting of 21 May 2020, which is expected to be finalised in the short-term.

Finally, note that during the first half of 2020 new medium to long-term loans were contracted opened for a value of Euro 20 million, while following the end of the half-year, additional financing lines were contracted for around Euro 38 million, demonstrating the support of the Group’s lending banks.

The average cost of indebtedness is benchmarked to the trend of the 3-month Euribor rates plus a *spread* applied depending also on the type of the financial instrument used.

14. Bond issue

Note that this item includes:

- the “Tesmec S.p.A. 6% 2014-2021" bond issue of Euro 15 million placed on 8 April 2014 on the Extra MOT PRO market. The 7% gross fixed rate bond issue, placed by Banca Popolare di Vicenza S.c.p.a. and by KNG Securities LLP, will expire on 10 April 2021 with an annual delayed coupon. This bond issue will expire in the first half of 2021.
- the “Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment, and with a two-year pre-amortisation period.

During the first six months of the year, the bond issue “Tesmec S.p.A. 6% 2014-2021” of Euro 14,952 thousand was reclassified from long to short term. In the context of the new financial resources made available to the Group, covered above, and the projections of cash flow generation in the second half, we deem that, at the date of maturity of the bond issue, the Group will have suitable financial resources to fully repay the bond.

The failure to comply with certain financial covenants, as previously described in note 19, has no effect on outstanding bonds as the interest rate step-up had already taken place in past years.

15. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2020 and as at 31 December 2019:

(Euro in thousands)	**30 June 2020**	**31 December 2019**
Advances from banks against invoices and bills receivables	45,931	45,960
Payables due to factoring companies	11,491	12,270
Current account overdrafts	1	1,189
Financial payables due to SIMEST	4,000	4,000
Short-term loans to third parties	441	425
Current portion of medium/long-term loans	12,326	13,762
Financial payables due to associates, related parties and joint ventures	8,269	2,158
Total interest-bearing financial payables (current portion)	**82,459**	**79,764**

The increase in the item *interest-bearing financial payables (current portion)* of Euro 2,695 thousand is due to higher payables to related parties of Euro 6,111 thousand mainly following the change in the consolidation area with the entry of the companies 4 Service S.r.l. and MTS4 Service USA that envisaged the contribution of a financial payable to the related company RX S.r.l. of Euro 5,531 thousand.

16. 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)	**30 June 2020**	**31 December 2019**
NON-CURRENT ASSETS:		
Receivables and other financial assets	2,576	2,745
Derivative financial instruments	2	4
Non-current trade receivables	1,871	516
CURRENT ASSETS:		
Trade receivables	59,801	67,929
Other available-for-sale securities	1	2
Financial receivables	13,062	12,081
Cash and cash equivalents	25,058	17,935

	Current/non-current liabilities	
(Euro in thousands)	**30 June 2020**	**31 December 2019**
NON-CURRENT LIABILITIES:		
Financial payables	49,859	23,972
Bond issue	9,871	24,765
Non-current financial liabilities and rights of use	18,460	15,407
Derivative financial instruments	167	6
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	82,459	79,764
Bond issue	14,952	-
Current financial liabilities and rights of use	5,352	4,135
Derivative financial instruments	7	6
Trade payables	50,878	57,514
Advances from customers	1,800	3,641

Management and types of risk

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

Interest rate risk

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

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

As at 30 June 2020, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in interest bearing financial payables (current portion) due to fluctuating market rates. The notional value of these positions was equal to Euro 16.6 million, with a negative equivalent value of Euro 171 thousand. Moreover, there were five interest rate cap positions; the notional value of these positions was equal to Euro 4.4 million, with a negative equivalent value of Euro 1 thousand.

Exchange rate risk

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

The main transaction currencies used for the Group's sales are the Euro and the US dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could

be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.
With regard to net exposure that is mainly represented by receivables in US dollars of Tesmec S.p.A., the only hedging instrument adopted is the purchasing of forwards on the US currency. However, these hedges are carried out only for one part of the total exposure in that the timing of the inflow of the receipts in dollars is difficult to predict at the level of each sales invoice. Besides, for a good part of the sales in dollars, the Group uses the production of the American factory with costs in US dollars by creating in this way a sort of natural hedging of the currency exposure.
Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the dollar exposure deriving from:
i) selling trenchers produced in Italy in Middle Eastern countries;
ii) selling stringing machines produced in Italy in the USA where purchases are in euro, and sales in US dollars.
Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Group cannot exclude that future changes thereof might affect the results of the Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

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

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

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

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

The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and the 3/6-month Euribor rates for medium to long-term loans. Some interest rate hedges have been set in place for floating medium/long-term loans. Existing loan contracts contain certain financial covenant clauses. In that regard, we note that, also due to the impacts of the COVID-19 pandemic on the Group's economic and financial performance, it is possible that at the end of 2020, with regard to the EBITDA and the Net Financial Position, the covenants set out in the contracts for certain outstanding loans might not be complied with. In that regard, and more generally with regard to the short-term as well as medium/long-term time horizons, we note that as part of the afore-mentioned process of drawing up the new Business Plan, the share capital increase mandated by the Shareholders' Meeting of 21 May 2020, which is expected to be finalised in the short-term, as well as the new lines of financing recently made available by the Group's lending banks, equal to around Euro 58 million, demonstrating the confirmed support of the banking system to the Group's development, constitute elements that should mitigate liquidity risk and, thus, confirm the adequacy of the going concern assumption.
Risks related to transactions with suppliers

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

Disclosures: hierarchy levels of fair value measurement

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

- level 1 - quoted prices without adjustment recorded in an active market for measured assets or liabilities;
- level 2 - inputs other than quoted prices included within level 1 that are observable in the market, either directly (as in the case of prices) or indirectly (i.e. when derived from the prices);
- level 3 - inputs that are not based on observable market data.

The following table shows the assets and liabilities that are measured at fair value as at 30 June 2020, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 30 June 2020**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	2	-	2	-
Total non-current	**2**	**-**	**2**	**-**
Financial assets:				
Other available-for-sale securities	1	-	-	1
Total current	**1**	**-**	**-**	**1**
Total	**3**	**-**	**2**	**1**
Financial liabilities:				
Derivative financial instruments	167	-	167	-
Total non-current	**167**	**-**	**167**	**-**
Derivative financial instruments	7	-	7	-
Total current	**7**	**-**	**7**	**-**
Total	**174**	**-**	**174**	**-**

17. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2020 and as at 30 June 2019:

	Half-year ended 30 June	
(Euro in thousands)	**2020**	**2019**
Sales of products	47,523	64,040
Services rendered	18,338	18,873

Changes in work in progress	4,932	14,542
Total revenues from sales and services	**70,793**	**97,455**

As at 30 June 2020 consolidated revenues were Euro 70,793 thousand with a decrease f Euro 26,662 thousand compared to Euro 97,455 thousand as at 30 June 2019. This decrease is significantly affected by the slowdown in production activities following the health emergency from COVID-19, the stops of the movement of goods and the consequent lockdown. From May, the Group reopened its activities, reaching full operation in June and laying the foundations to support the growth in the second half of the year.

In the half year, the revenues from services amounted to Euro 18,338 thousand compared to Euro 18,873 thousand as at 30 June 2019, also thanks to the rental activities, therefore confirming the strategic choice to strengthen the positioning in such business through the acquisition of the 4Service Group. The block of activities mainly impacted the delivery of finished products and work in progress, recording revenues of Euro 52,455 thousand compared to Euro 78,582 thousand as at 30 June 2019.

In percentage terms, this decrease represents a negative change of 27.4%, which is split disparately between the Group's three business segments.

In detail, the proforma Revenues of the Trencher segment as at 30 June 2020 were Euro 40,816 thousand, with a decrease of 31.0% compared to Euro 59,179 thounsand at 30 June 2019. This *performance* has been impacted, since the beginning of March, by the slowdown in logistics and by the blocks of production and transport and rental activities. This impact has been partially mitigated by the recovery phase in the second half of May.

The Railway segment recorded Revenues as at 30 June 2020 of Euro 13,207 thounsand, with a decrease of 19.2% compared to the Euro 16,337 thousand as at 30 June 2019. This trend is essentially due to the slowdown in activities and the temporary closure of the Monopoli plant, impacts then mitigated by the relaunch of activities in May.

With reference to the Energy segment, revenues as at 30 June 2020 were Euro 16,770 thousand, with a decrease of 23.6% compared to Euro 21,939 thousand as at 30 June 2019. In particular, in the first half of the year, the Energy-Automation segment recorded revenues of Euro 3,737 thousand compared to Euro 5,041 thousand as at 30 June 2019 and it has been characterized by a slowdown due to production and transport blocks and by a billing process moved in July. Therefore, the growth prospects for this segment are not changed. The Stringing segment recorded revenues of Euro 13,033 thousand, compared to Euro 16,898 thousand as at 30 June 2019, with a reduction in turnover due to the slowdown and blocks of production activities from March to the first days of May.

18. Operating costs

The item *operating costs* amounted to Euro 72,355 thousand, a decrease of 23.2% compared to the previous year, less than proportional with respect to the performance in revenues (-27.4%).

19. 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 trenching 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);
- 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.

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

	Half-year ended 30 June							
	2020				2019			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	16,770	40,816	13,207	70,793	21,939	59,179	16,337	97,455
Operating costs net of depreciation and amortisation	(15,023)	(36,322)	(11,285)	(62,630)	(19,098)	(52,797)	(13,475)	(85,370)
EBITDA	**1,747**	**4,494**	**1,922**	**8,163**	**2,841**	**6,382**	**2,862**	**12,085**
Amortisation and depreciation	(2,745)	(5,375)	(1,605)	(9,725)	(2,842)	(4,400)	(1,579)	(8,821)
Total operating costs	**(17,768)**	**(41,697)**	**(12,890)**	**(72,355)**	**(21,940)**	**(57,197)**	**(15,054)**	**(94,191)**
Operating income	**(998)**	**(881)**	**317**	**(1,562)**	**(1)**	**1,982**	**1,283**	**3,264**
Net financial income/(expenses)				(3,729)				(2,204)
Pre-tax profit/(loss)				**(5,291)**				**1,060**
Income tax				1,385				(531)
Net profit/(loss) for the period				**(3,906)**				**529**
Profit/(loss) attributable to non-controlling interests				10				4
Group profit/(loss)				**(3,916)**				**525**

(*****) The Interim consolidated 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.

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 30 June 2020 and as at 31 December 2019:

	As at 30 June 2020					As at 31 December 2019				
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible Assets	10,190	4,950	6,528	-	21,668	9,000	4,371	7,048	-	20,419
Property, plant and equipment	1,599	43,836	7,784	-	53,219	1,421	32,960	8,016	-	42,397
Right of use	1,090	23.079	740	-	24,909	1,166	18,011	967	-	20,144
Financial Assets	3,324	2,014	1	1,368	6,707	3,224	2,029	1	1,482	6,736
Other non-current assets	1,522	7,821	260	6,267	15,870	1,280	4,916	164	6,045	12,405
Total non-current assets	**17,725**	**81,700**	**15,313**	**7,635**	**122,373**	**16,091**	**62,287**	**16,196**	**7,527**	**102,101**
Work in progress contracts	-	-	17,881	-	17,881	-	-	16,320	-	16,320
Inventories	22,942	50,906	3,657	-	77,505	18,424	48,545	2,955	-	69,924
Trade receivables	10,847	37,799	11,155	-	59,801	12,067	46,204	9,658	-	67,929
Other current assets	2,045	3,361	5,147	11,744	22,297	1,508	2,689	7,411	10,734	22,342

Cash and cash equivalents	1,595	6,407	3,417	13,639	25,058	1,434	1,579	7,758	7,164	17,935
Total current assets	**37,429**	**98,473**	**41,257**	**25,383**	**202,542**	**33,433**	**99,017**	**44,102**	**17,898**	**194,450**
Total assets	**55,154**	**180,173**	**56,570**	**33,018**	**324,915**	**49,524**	**161,304**	**60,298**	**25,425**	**296,551**
Shareholders' equity attributable to parent company shareholders	**-**	**-**	**-**	**50,646**	**50,646**	**-**	**-**	**-**	**46,102**	**46,102**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**50**	**50**	**-**	**-**	**-**	**50**	**50**
Non-current liabilities	**2,438**	**19,141**	**9,352**	**59,431**	**90,362**	**2,209**	**8,162**	**7,166**	**57,548**	**75,085**
Current financial liabilities	3,769	9,259	8,281	76,109	97,418	1,609	6,395	11,287	60,479	79,770
Current financial liabilities from rights of use	262	2,191	67	2,832	5,352	256	1,447	53	2,379	4,135
Trade payables	16,311	23,579	10,988	-	50,878	14,507	34,201	8,806	-	57,514
Other current liabilities	1,733	7,679	11,655	9,142	30,209	1,376	7,118	14,968	10,433	33,895
Total current liabilities	**22,075**	**42,708**	**30,991**	**88,083**	**183,857**	**17,748**	**49,161**	**35,114**	**73,291**	**175,314**
Total liabilities	**24,513**	**61,849**	**40,343**	**147,514**	**274,219**	**19,957**	**57,323**	**42,280**	**130,839**	**250,399**
Total shareholders' equity and liabilities	**24,513**	**61,849**	**40,343**	**198,210**	**324,915**	**19,957**	**57,323**	**42,280**	**176,991**	**296,551**

20. 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:

	Half-year ended 30 June 2020					**Half-year ended 30 June 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.	(246)	-	-	-	-	581	-	-	-	**6**
Subtotal	**(246)**	**-**	**-**	**-**	**-**	**581**	**-**	**-**	**-**	**6**
Joint Ventures:										
Condux Tesmec Inc.	3,333	-	(2)	90	3	1,168	-	-	88	3
Tesmec Peninsula	92	-	-	-	26	101	-	-	-	21
Subtotal	**3,425**	**-**	**(2)**	**90**	**29**	**1,269**	**-**	**-**	**88**	**24**
Related parties:										
Ambrosio S.r.l.	-	-	-	(2)	(1)	-	-	-	(8)	-
TTC S.r.l.	-	-	(31)	-	-	-	-	(64)	-	-
Ceresio Tours S.r.l.	-	-	(2)	-	-	-	-	(4)	-	-
Dream Immobiliare S.r.l.	-	-	-	-	(185)	-	-	-	(969)	(42)
FI.IND	-	-	-	27	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	586	(11)	4	(755)	-	2,038	-	3	(1,135)	(5)
MTS4SERVICE USA LLC	-	-	-	-	-	2,594	-	-	(208)	-
COMATEL	1	-	-	-	-	82	-	-	-	-
C2D	-	-	-	-	-	-	-	-	-	-
Subtotal	**587**	**(11)**	**(29)**	**(730)**	**(186)**	**4,714**	**-**	**(65)**	**(2,320)**	**(47)**
Total	**3,766**	**(11)**	**(31)**	**(640)**	**(157)**	**6,564**	**-**	**(65)**	**(2,232)**	**(17)**

(Euro in thousands)	30 June 2020 Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables	31 December 2019 Trade receivables	Current financial receivables	Current financial payables	Trade payables	Advances from customers
Associates:										
Locavert S.A.	26	-	-	-	-	422	-	-	-	-
R&E Contracting	-	187	-	-	-	-	230	-	-	-
Subtotal	**26**	**187**	**-**	**-**	**-**	**422**	**230**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	1,706	1,092	-	-	4	2,187	425	-	2	-
Tesmec Peninsula	87	2,067	-	1,486	-	147	2,060	1,658	-	-
Marais Tunisie	-	-	-	-	-	-	1	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**1,793**	**3,953**	**-**	**1,486**	**4**	**2,334**	**3,280**	**1,658**	**2**	**-**
Related parties:										
TTC S.r.l.	-	-	4,263	-	61	-	-	-	61	-
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	1	-
Dream Immobiliare S.r.l.	16	496	-	-	40	-	562	-	51	-
Ambrosio S.r.l.	-	-	-	-	13	-	-	-	9	-
Fi.ind.	-	-	-	742	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1,096	-	-	510	3,157	1,532	-	500	3,019	-
MTS4SERVICE USA LLC	-	-	-	-	-	1,230	-	-	-	13
RX S.r.l.	-	-	-	5,531	-	-	-	-	-	-
Comatel	-	-	-	-	-	-	-	-	-	-
Subtotal	**1,112**	**496**	**4,263**	**6,783**	**3,271**	**2,762**	**562**	**500**	**3,141**	**13**
Total	**2,931**	**4,636**	**4,263**	**8,269**	**3,275**	**5,518**	**4,072**	**2,158**	**3,143**	**13**

21. Legal and tax disputes

With reference to an ongoing dispute with a French former distributor, on 14 February 2019, the Lyon Court of Appeal, significantly reviewing the favourable judgement in first instance, ordered Tesmec to pay Euro 2.1 million for various reasons, including the alleged violation of the exclusivity clause and the alleged unjustified breach of the distribution contract. Tesmec, in compliance with the pronouncement of the Lyon Court of Appeal, made the payment into a special escrow account, according to the French practice. On 22 July 2019, the appeal to the Court of Cassation was filed, and in parallel, on 20 August 2019, the action for repeal before the Lyon Court of Appeal was filed. With reference to this case, no provision was made for risks, having obtained the opinion of the legal advisors appointed to assist Tesmec, according to whom the Company's position is well-grounded since there is evidence in this regard of the correct behaviour of the Company and the consequent confirmation of the favourable judgement in first instance, as well as the prompt repayment of the amount paid into the escrow account in 2020. At the time of this report, no new elements have occurred in relation to the dispute in progress, confirming the assessments made by the Directors for the consolidated financial statements at 31 December 2019.

In March 2018, Tesmec carried out the arbitration award obtained at the China International Economic and Trade Arbitration Commission of Beijing (CIETAC) and obtained the payment of more than Euro 1.3 million (principal, interest, legal costs) on the current account of the execution Judge treasury at the Beijing Court for a receivable claimed from a trading company. Due to the restrictions imposed by the current currency rules, the Judge was identified as the "trustee" to receive the payment made by the Chinese counterparty and then pay into the Tesmec account. Before the Judge could order the transfer, the counterparty filed an application for seizure of the sums, granted by the Judge against the filing of counterclaim for compensation for alleged damages for which the Chinese counterparty is seeking refund, jointly and severally, from Tesmec and a Chinese company that at the time was responsible for certain import procedures. On 7 January 2020, the lawsuit for damages was dismissed.
In the meantime, since the Beijing Ordinary Court recognised the CIETAC international arbitration court (which has already issued a favourable arbitration award as for the previous contracts) as the competent jurisdiction for the payment of further Euro 491 thousand, Tesmec started new arbitration proceedings against the trading company.

The fact that CIETAC has been granted jurisdiction is favourable for the Company in the opinion of the lawyers since the activation of a second CIETAC arbitration that has already analysed in the first proceedings the case of a contract on crossappeal, recognising the performance of the supply of Tesmec, will probably lead to the confirmation of the analysis already carried out by the Board with order of Chinese counterparty to pay the main amount plus penalties. At the time of this report, no new elements have occurred in relation to the dispute in progress, confirming the assessments made by the Directors for the consolidated financial statements at 31 December 2019.

In April 2019, the Parent Company Tesmec S.p.A. received an injunction from the Court of Milan to pay Euro 0.25 million to a French company, in performance of some contractual agreements dating back to the years 2015-2017. During the second quarter, the parties concluded a settlement agreement, by virtue of which Tesmec waived its receivable activated in the proceedings in opposition to the injunction decree and the counterparty, waiving all rights deriving from and/or connected with the injunction decree and the order granting provisional enforcement thereof, agreed to receive the amount of Euro 0.25 million, waiving the interest and legal fees. The settlement of this amount was finalised in accordance with the instalment payments set out.

During June 2019, a tax audit by the Italian Inland Revenue Agency began in relation to the parent company Tesmec S.p.A. for the 2016 tax year. The audit is still in progress and the Company is awaiting the conclusions of the Office. The report on findings received reveal disputes with respect to which the Company, supported by the opinion of its tax advisors, considers its behaviour to be well-founded and the related risk of incurring liabilities is consequently assessed as merely possible. For this reason, the Directors did not deem it necessary to recognise any provisions in the financial statements. At the time of this report, no new elements have occurred in relation to the dispute in progress, confirming the assessments made by the Directors for the consolidated financial statements at 31 December 2019.

In December 2019, the subsidiary Groupe Marais received an assessment from the French tax authority concerning the calculation of the R&D tax credit for the year 2015. The subsidiary believes that it has correctly applied the tax regulations in question and has appealed against this assessment, with the help of its tax advisors, according to which it is likely to be upheld. For this reason, the Directors did not deem it necessary to recognise any provisions in the financial statements. At the time of this report, no new elements have occurred in relation to the dispute in progress, confirming the assessments made by the Directors for the consolidated financial statements at 31 December 2019.

22. Commitments and risks

Guarantees

The Group uses guarantees issued by banks and insurance companies in favour of the operating companies for the requirements relating to the performance of contracts in progress. In general, these are guarantees for the satisfactory performance of contracts (known as performance bonds) or guarantees issued upon receipt of payment by the contractor in the form of advance/down payment on contracts in progress (advanced payment bonds). As at 30 June, the amount of these guarantees was Euro 137,838 thousand.

The new loans obtained during the half-year and following the end of the period did not entail the assumption of additional guarantees by the Group, given that these are loans guaranteed by SACE and MCC (as well as by the French government in relation to the subsidiary Marais) as part of the measures to support businesses in relation to the COVID-19 pandemic.

Commitments

On 29 June 2020, the Board of Directors of Tesmec Automation S.r.l., having obtained the favourable opinion from the Control and Risk, Sustainability and Related Party Transactions Committees, resolved the purchase of the factory located in Patrica (FR), to carry out subsequently the expansion and restructuring of its existing part. Note also that the Patrica factory belongs to the related party Dream Immobiliare S.r.l. and is currently leased by Tesmec Automation S.r.l. on the basis of a 12-year contract expiring in 2028. The operation was finalised on 7 July 2020 at a price of Euro 1 million.

At the date of this report, the main investments being made by the Group are as follows:

- investments that regard research and development projects that are following the approved action plan;
- the implementation of a single Group ERP system (Enterprise Resource Planning, consisting of a system that controls and manages all company processes), for the purpose of increasing the efficiency of company processes.

Risks

There are no additional risks to report other than those indicated in paragraph 21 Legal and Tax Disputes, above.

23. Significant events occurred after the close of the financial period

Significant events after the end of the reporting period include obtaining new financing for Euro 37.5 million, as described in greater detail in the report on operations, and the finalisation, on 7 July 2020, of the purchase for Euro 1 million of the factory located in Patrica (FR), which was previously leased. This transaction was concluded with the related party Dream Immobiliare S.r.l..

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 Condensed Consolidated Financial Statements as at 30 June 2020.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 30 June 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 refers to the important events that took place during the first six months of the financial period and their impact on the Condensed Consolidated Financial Statements, together with a description of the main risks and uncertainties for the six 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, 5 August 2020

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

INDEPENDENT AUDITOR'S REPORT

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REPORT ON REVIEW
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
TESMEC S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Tesmec S.p.A. and subsidiaries (the "Tesmec Group"), which comprise the statement of financial position as of June 30, 2020 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the interim financial statements under Resolution n° 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Tesmec Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
August 12, 2020

This report has been translated into the English language
solely for the convenience of international readers.

E-MARKET SDIR CERTIFIED

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