Interim consolidated financial report as at September 30, 2020

Investor Relator
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Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 30 September 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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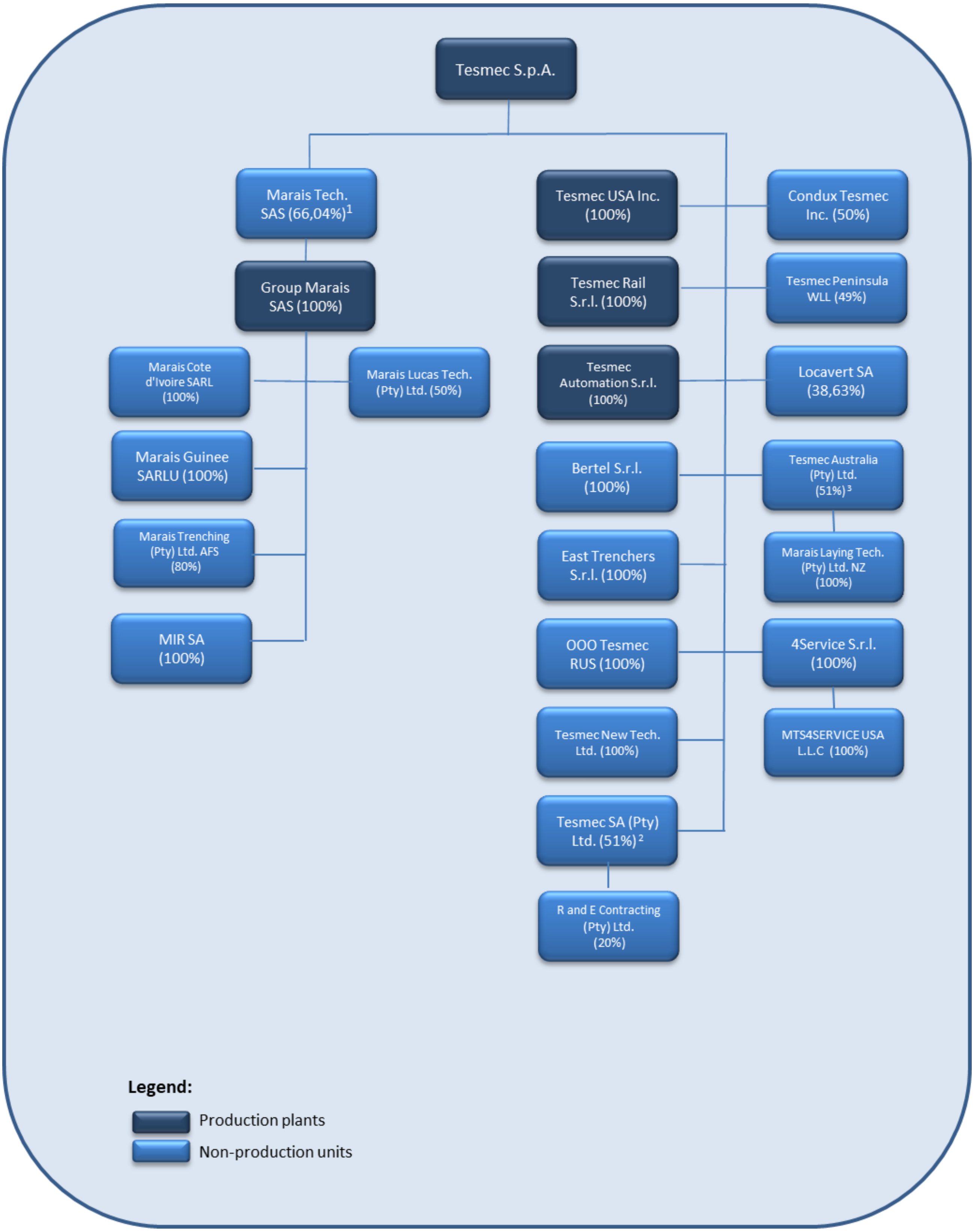
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

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 subsidiary in Marais Technologies SAS is consolidated on a 100% basis.

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

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

INTERIM CONSOLIDATED REPORT ON OPERATIONS

(Not audited by the Independent Auditors)

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 strictness of the containment measures (limits on movement and on national and international travel, the closure of schools and production activities, social distancing) have had a strong impact on economic activity and global trade. After the sharp drop, at the same time as the suspensions of activities ordered in spring, global economic activity recorded a recovery in the third quarter. In its most recent forecasts, the International Monetary Fund slightly reduced the forecast for the fall in global GDP for 2020 (-4.4%, compared to an estimate of -4.9% in June). The decline in international trade, which was decidedly accentuated in the second quarter of 2020, would have partially recovered in the third quarter. Oil prices, which gradually increased until August, have fallen slightly since September, affected by an increase in stocks. Consumer inflation remains very low in all advanced economies. However, growth is still largely dependent on the exceptional stimulus measures introduced in all the main economies and the prospects remain affected by the uncertainty regarding the evolution of the pandemic - whose impact is increasing in the last few weeks - and by the possible failure to renew emergency measures in support of households and businesses.

The economic activity of the Eurozone also started to grow again in line with the central scenario of gradual recovery already outlined in June. According to available indicators, economic activity in the Eurozone recovered significantly in the third quarter. Inflation fell to slightly negative values. The euro exchange rate appreciated, both in nominal effective terms and against the dollar, and expectations of further strengthening prevail. The Governing Council of the European Central Bank maintained a very expansive orientation and confirmed that it was ready to take further action if necessary. The extensive supply of liquidity by the Eurosystem encouraged Eurozone banks to respond to the strong demand for credit from businesses, in particular. On 21 July, the European Council reached an agreement on the introduction of the Next Generation EU. The agreement, which will be approved by the European Parliament and ratified by individual countries, allows the Union to obtain resources by issuing debt up to Euro 750 billion to grant transfers and loans to Member States.
The interventions of monetary policy, the expansive orientation and the agreement reached by the European Council allowed a significant improvement in the conditions on the financial markets. However, share prices showed greater volatility on both the Italian and international markets. From the end of August, share prices fell, affected by the rise in contagion in some European countries. In fact, market trends remain conditioned by the prospects of the pandemic, health response capacity and the possible availability of a vaccine.

Based on available indicators, in Italy, in the third quarter the return to growth was probably higher than expected. In the summer months, the recovery of the economic activity underway since May continued and, overall, the strengthening of the economic situation would have been better than that outlined in June. Industrial production further increased in July and August. According to Bank of Italy estimates, in the third quarter, GDP recorded a robust but partial recovery in all segments of the economy. Italy's trade in goods and services began to increase, especially due to the reduction in tourist surplus. In the survey carried out by the Bank of Italy in September, judgements on the general current economic situation are clearly more favourable than the sharp decline in the previous quarter. In business valuations, a more favourable trend in demand is expected over the next few months. Expectations are more optimistic in industry in the strict sense. The foreign orders of manufacturing companies show a slight recovery, although the price competitiveness of exports would have deteriorated slightly, especially on markets outside the EU, partly reflecting the appreciation of the effective exchange rate of the Euro. In any event, the majority of the companies interviewed continued to report that the epidemic is affecting their business especially by reducing domestic and foreign demand. On average, companies expect a full recovery of the activity to take about twelve months.
The number of employees would have increased in the summer months, partly recovering the previous decline. The balance of work positions showed signs of improvement starting from the end of June. The use of the redundancy fund and the wage support fund continued to mitigate the impact of the crisis on the number of employees, but the actual use of wage support instruments would be more limited and gradually decreasing.
The conditions of the financial markets in Italy continued to improve as a whole. Since the beginning of July, yields on Italian Government bonds have decreased on all maturities. In the first seven months of the year, foreign investors carried out net sales of Italian securities, but since June there has been a recovery in purchases: the increased interest of foreign investors was also favoured by the strengthening of the programme for the purchase of public and private securities for the pandemic emergency.
In the summer months, credit to non-financial companies grew at a fast pace. The strong demand for funds was also met thanks to the improvement in supply conditions, favoured by public guarantees on new loans and expansionary monetary policy measures. Between May and August, Italian bank deposits increased also due to the strong expansion of liabilities to the Eurosystem. Resident deposits continued to grow at a fast pace - including those of businesses - most likely reflecting precautionary purposes as well. Italian banks reported an easing of the supply criteria applied to loans to businesses, in particular a greater risk tolerance. Moreover, between May and August, the interest rate on new bank loans to businesses slightly decreased to 1.1%. Overall, the strong liquidity requirement of businesses was fully met by the sustained growth in credit.
In August, the Government passed a decree law that largely picked up and extended previous measures to combat the effects of the pandemic crisis. Within the framework of the Government, the expansionary measures provide the economy with a considerable macroeconomic boost.

In terms of prospects, thanks to the better than expected figures recorded in the third quarter of the year in advanced economies, growth should gradually recover. The projections of the International Monetary Fund assume that social distancing will continue in 2021 but will eventually disappear with improved therapies and the spread of vaccines. The current phase bears the risks of a prolongation of the acute phase of the pandemic and, more generally, that the pandemic may continue to affect household and business confidence or that global demand will remain weak.

3. Effects of the COVID-19 pandemic

As is well known, since January 2020, the national and international scenario has been characterised by the spread of the Covid-19 virus (known as Coronavirus) and by the consequent restrictive measures for its containment. In Italy, through specific Decrees of the Presidency of the Council of Ministers (DPCM), a state of emergency was declared, currently in force until 31 January 2020. 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 23 March to 4 May, and in plants in Patrica and Monopoli from 23 March to 12 April. Operations in Durtal (France) were suspended from 17 March to 20 April, 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 19 March to 15 May and from 25 March to 27 April, 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. The implementation of smart working continues to be encouraged and investments have been integrated in order 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, a number of solidarity actions have been taken such as: a specific insurance cover in case of hospitalisation for COVID-19, the creation of "Banca ore solidali" (Solidarity Bank) and "Fondo Solidale Tesmec Family" (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 fund raising: "*Abitare la cura - Coronavirus: una mano per alleggerire gli ospedali*" (Living the cure - Coronavirus: a hand to relieve hospitals) 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, as part of the overall decrease in income statement figures recognised as at 30 September 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 September 2020 decreased by 17.5% compared to those recorded in the third quarter of the previous year, significantly impacted by the slowdown in production and commercial activities following the COVID-19 health emergency but recovered compared to the figure as at 30 June 2020 (-25.1% compared to 30 June 2019). Operating costs decreased by 15.5% compared to the previous year, a lower percentage than the decrease in revenues, with a resulting negative impact on profitability in relation to the decrease in margins to cover fixed costs.

Therefore, the COVID-19 pandemic had a significant impact on the first nine months 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 (-8.7%), 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

[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.

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 results from the restarting of the activities in terms of growth in turnover and improvement in margins already seen in the second quarter compared to the first were confirmed in the third quarter. On the basis of what is known to date and considering the type of its business, 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. Moreover, the Italian companies of the Group were able to benefit from some ABI moratoria on the due dates of their debts and from the measures introduced by Italian Decree Law no. 23 of 8 April 2020 (known as "*Decreto Liquidità*") to facilitate access to credit for businesses, with the opening of credit lines of around Euro 50 million, while the company Marais was able to benefit from a new credit line guaranteed by the French government (Euro 7.7 million). The overall financial measures, new credit lines and legal moratoria make the Group confident about meeting its short and medium-term financial commitments, supporting investments and the growth expected over the next few years in accordance with the guidelines of the 2020-2023 business plan, recently approved by the Board of Directors.

4. Significant events during the period

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

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

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

- on 25 March 2020, 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 French government 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 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 recognised as at 30 September 2020 as a non-repayable government grant, against costs for salaries paid in the period covered by the programme;

- 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 "*Decreto Liquidità*" (Liquidity Decree) to support the Italian companies affected by the COVID-19 emergency and which has 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 operation was finalised on 7 July 2020 at a price of Euro 1 million.

- 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, and the 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, as evidence of the confirmed support of the banking system for the development of the Group's medium and long-term plans;

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

- on 3 September 2020, the Board of Directors of Tesmec S.p.A. approved the guidelines of the 2020-2023 business plan and resolved the amount of the share capital increase under option of a maximum total of Euro 35 million expected by the end of 2020.

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 LLC. 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 the preparation of the interim consolidated report on operations as at 30 September 2020, the higher value of the net assets transferred has temporarily been allocated to property, plant and equipment as already included in the 4 Service 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 consolidation 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 to:

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 rights of use of Euro 3,073 thousand (non-current) and of Euro 1,030 thousand (current) 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)	23 April 2020
Cash and cash equivalents	266
Current financial assets (1)	-
Current financial liabilities (with 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 regard to the definition of the total consideration of the acquisition, it is noted that 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 Parties Transactions 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.

5. Activity, reference market and operating performance for the first nine 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 September 2020. The following table shows the major economic and financial indicators of the Group as at September 2020, also on a pro-forma basis, compared with the same period of 2019 and with 31 December 2019.

	OVERVIEW OF RESULTS		
30 September 2019	**Key income statement data** (Euro in millions)	**30 September 2020 pro-forma (2)**	**30 September 2020**
144.2	Operating Revenues	119.0	116.8
17.4	EBITDA	17.6	15.7
3.9	Operating Income	0.4	0.2

2 The pro-forma economic results were prepared solely for presentation purposes and were obtained by making appropriate pro-forma adjustments to historical data to retroactively reflect the effects of the purchase of the 4Service Group, as if it had taken place on 1 January 2020, instead of 23 April 2020. Therefore, the pro-forma economic results include the economic result of the 4Service Group on the entire nine month basis, instead of only the results achieved within the area of the Tesmec Group from the date of first consolidation (23 April 2020).

0.7		Group Net Profit	(4.5)	(4.8)
900		Average number of employees in the period	928	
31 December 2019 pro-forma	**31 December 2019**	**Key financial position data** (Euro in millions)	**30 September 2020**	
175.1	164.2	Net Invested Capital	186.4	
44.2	46.2	Shareholders' Equity	48.6	
130.9	118.0	Net Financial Indebtedness	137.8	
19.9	19.9	Net investments in property, plant and equipment, intangible assets and rights of use	30.2	

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 September 2020, also on a pro-forma basis, with those as at 30 September 2019.

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

	As at 30 September					
(Euro in thousands)	**2020 pro-forma**	**% of revenues**	**2020**	**% of revenues**	**2019**	**% of revenues**
Revenues from sales and services	**118,996**	**100.0%**	**116,832**	**100.0%**	**144,208**	**100.0%**
Cost of raw materials and consumables	(50,844)	-42.7%	(49,816)	-42.6%	(63,248)	-43.9%
Costs for services	(21,071)	-17.7%	(20,992)	-18.0%	(26,224)	-18.2%
Non-recurring costs for services	-	0.0%	-	0.0%	(189)	-0.1%
Payroll costs	(35,328)	-29.7%	(35,328)	-30.2%	(38,695)	-26.8%
Other operating (costs)/revenues, net	1,324	1.1%	495	0.4%	(5,035)	-3.5%
Non-recurring other operating (costs)/revenues, net	-	0.0%	-	0.0%	1,293	0.9%
Amortisation and depreciation	(17,195)	-14.5%	(15,518)	-13.3%	(13,506)	-9.4%
Development costs capitalised	4,175	3.5%	4,175	3.6%	5,225	3.6%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	319	0.3%	319	0.3%	75	0.1%
Total operating costs	**(118,620)**	**-99.7%**	**(116,665)**	**-99.9%**	**(140,304)**	**-97.3%**
Operating income	376	0.3%	167	0.1%	3,904	2.7%
Financial expenses	(7,843)	-6.6%	(7,751)	-6.6%	(4,704)	-3.3%
Financial income	1,396	1.2%	1,125	1.0%	2,149	1.5%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	18	0.0%	18	0.0%	5	0.0%
Pre-tax profit/(loss)	**(6,053)**	**-5.1%**	**(6,441)**	**-5.5%**	**1,354**	**0.9%**
Income tax	1,592	1.3%	1,648	1.4%	(630)	-0.4%
Profit/(loss) for the period	**(4,461)**	**-3.7%**	**(4,793)**	**-4.1%**	**724**	**0.5%**
Profit/(loss) attributable to non-controlling interests	14	0.0%	14	0.0%	8	0.0%
Group profit/(loss)	**(4,475)**	**-3.8%**	**(4,807)**	**-4.1%**	**716**	**0.5%**

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Revenues

Total revenues on a pro-forma basis as at 30 September 2020 decreased by 17.5% compared to those recorded in the same period of the previous financial year. This decrease is significantly affected by the slowdown in production and commercial activities in the first half of the year following the COVID-19 health emergency and shows a different contribution from the three business segments. During the third quarter only, the Group fully resumed its operating activities and consolidated revenues of Euro 46 million, substantially in line with the corresponding period of the previous year (Euro 46.7 million).

	As at 30 September						
(Euro in thousands)	**2020 pro-forma**	**% of revenues**	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 pro-forma vs. 2019**
Sales of products	88,803	74.63%	87,417	74.82%	104,198	72.26%	(15,395)
Services rendered	28,160	23.66%	27,382	23.44%	28,838	20.00%	(678)
Changes in work in progress	2,033	1.71%	2,033	1.74%	11,172	7.75%	(9,139)
Total revenues from sales and services	**118,996**	**100.00%**	**116,832**	**100.00%**	**144,208**	**100.00%**	**(25,212)**

The stoppage of activities of the first half-year mainly impacted the delivery of finished products and work in progress, recording revenues of Euro 90,836 thousand, on a pro-forma basis, compared to Euro 115,370 thousand as at 30 September 2019.

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.
During the first nine months, also thanks to the 4Service Group's rental activities, which confirms the strategic choice to strengthen its position in the rental business, the Group's revenues from services, on a pro forma basis, amounted to Euro 28,160 thousand compared to Euro 28,838 thousand as at 30 September 2019.

Revenues by geographic area

The Group's turnover is produced abroad by 81.7% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, compared with the first nine months of 2020 and the first nine months of 2019, which indicates the growth of the European market, partially balanced by the downtrends recorded in the Italian and BRIC and Other markets. It is emphasised that the segmentation by geographic area is determined by the country where the customer is located, regardless of where project activities/sales are organised.

	As at 30 September		
(Euro in thousands)	**2020 pro-forma**	**2020**	**2019**
Italy	21,769	21,769	33,441
Europe	35,972	35,972	22,115
Middle East	5,520	5,520	11,706
Africa	8,096	8,096	16,572
North and Central America	29,662	27,498	26,662
BRIC and Others	17,977	17,977	29,997
Total revenues	**118,996**	**116,832**	**140,493**

Operating costs

Pro-forma operating costs amounted to Euro 118,620 thousand and decreased by 15.5% compared to the previous year as a percentage lower than the decrease in revenues.

EBITDA

In terms of margins, pro-forma EBITDA amounted to Euro 17,571 thousand, slightly improving compared to what was recorded in the first nine months of 2019 when it was equal to Euro 17,410 thousand. This result was also achieved thanks to the rental activities of the 4Service Group, with high margins, and to the reduction in costs.

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

	As at 30 September						
(Euro in thousands)	2020 pro-forma	% of revenues	2020	% of revenues	2019	% of revenues	2020 pro-forma vs. 2019
Operating income	376	0.3%	167	0.1%	3,904	2.7%	(3,528)
+ Amortisation and depreciation	17,195	14.5%	15,518	13.3%	13,506	9.4%	3,689
EBITDA (*)	**17,571**	**14.8%**	**15,685**	**13.4%**	**17,410**	**12.1%**	**161**

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

Financial Management

	As at 30 September		
(Euro in thousands)	2020 pro-forma	2020	2019
Net financial income/expenses	(3,782)	(3,690)	(3,830)
Foreign exchange gains/losses	(2,506)	(2,777)	1,256
Fair value adjustment of derivative instruments on exchange rates	(159)	(159)	19
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	18	18	5
Total net financial income/expenses	**(6,429)**	**(6,608)**	**(2,550)**

The pro-forma net financial management decreased compared to the same period of the previous financial year by Euro 3,879 thousand; we report the following changes:

- deterioration of Euro 3,762 thousand generated by the divergent trend in the exchange rates in the two reference periods, which resulted in recognising net losses totalling Euro 2,506 thousand (realised of Euro 839 thousand and unrealised of Euro 1,667 thousand) in the first nine months of 2020 against net profits of Euro 1,256 thousand in the first nine months of 2019;
- improvement by Euro 48 thousand of net financial income/expenses deriving from lower interest expense on medium/long-term loans of Euro 107 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 September 2020 compared to those as at 30 September 2019, broken down into three operating segments.

(Euro in thousands)	As at 30 September						
	2020 pro-forma	**% of revenues**	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 pro-forma vs. 2019**
Energy	29,187	24.5%	29,187	25.0%	31,481	21.8%	(2,294)
Trenchers	68,381	57.5%	66,217	56.7%	89,398	62.0%	(21,017)
Rail	21,428	18.0%	21,428	18.3%	23,329	16.2%	(1,901)
Total Revenues	**118,996**	**100.0%**	**116,832**	**100.0%**	**144,208**	**100.0%**	**(25,212)**

Pro-forma revenues of the Trencher segment as at 30 September 2020 amounted to Euro 68,381 thousand, decreasing by 23.5% compared to Euro 89,398 thousand as at 30 September 2019. This performance was affected by the slowdown in logistics and lease activities as well as by the stoppage of production and transport in the first half of the year; in the third quarter, the impact was stabilised thanks to the return to full operations. Therefore, the fourth quarter is expected to improve compared to the previous year.

The Rail segment recorded Revenues of Euro 21,428 thousand, decreasing by 8.1% compared to Euro 23,329 thousand as at 30 September 2019. This trend is essentially due to the slowdown in activities and the temporary closure of the Monopoli plant in March and April. In the third quarter, production levels remained fully operational, ensuring a better performance than in the previous year, the fourth quarter is expected to be in line with the outlook for the period.

With regard to the Energy segment, revenues amounted to Euro 29,187 thousand, down by 7.3% compared to the figure of Euro 31,481 thousand as at 30 September 2019. In particular, the Stringing segment recorded revenues of Euro 20,890 thousand, compared to Euro 23,510 thousand as at 30 September 2019, with a reduction in turnover due to the slowdown and stoppage of production activities from March to the first days of May. The quarter recorded a better performance than last year, confirming the improvement trend and the outlook at the end of the year. Conversely, in the first nine months of the year, the Energy-Automation segment achieved revenues of Euro 8,297 thousand compared to Euro 7,971 thousand as at 30 September 2019, recovering in the third quarter the gap due to the slowdown relative to the stoppage of production and transport of the first half-year and, therefore, confirming the expected growth prospects for this segment in the short and medium term.

EBITDA by segment

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

(Euro in thousands)	As at 30 September						
	2020 pro-forma	**% of revenues**	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 pro-forma vs. 2019**
Energy	3,750	12.8%	3,750	12.8%	3,785	12.0%	(35)
Trenchers	10,774	15.8%	8,888	13.4%	9,781	10.9%	993
Rail	3,047	14.2%	3,047	14.2%	3,844	16.5%	(797)
EBITDA	**17,571**	**14.8%**	**15,685**	**13.4%**	**17,410**	**12.1%**	**161**

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

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

- Energy: EBITDA decreased from a value of Euro 3,785 thousand as at 30 September 2019 to a value of Euro 3,750 thousand as at 30 September 2020. The good performance of the third quarter, in particular of the Energy-Automation segment, made it possible to fully recover the gap of the first part of the year that had been determined due to COVID-19;

- Trencher: improvement in EBITDA from Euro 9,781 thousand in the first nine months of 2019 to Euro 10,774 thousand in 2020, on a pro-forma basis, was obtained also thanks to the rental activities of the 4Service Group, with high margins, which made it possible to absorb the reduction in sales due to COVID-19;
- Rail: worsening in EBITDA from Euro 3,844 thousand in the first nine months of 2019 to Euro 3,047 thousand in 2020 is essentially due to the slowdown in activities and a different mix of State of work-in-progress for the period.

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

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

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

(Euro in thousands)	**As at 30 September 2020**	**As at 31 December 2019**	**As at 31 December 2019 pro-forma**
USES			
Net working capital [(1)]	79,479	73,023	64,674
Fixed assets	100,035	86,947	106,314
Other long-term assets and liabilities	6,885	4,219	4,074
Net invested capital [(2)]	**186,399**	**164,189**	**175,062**
SOURCES			
Net financial indebtedness [(3)]	137,812	118,037	130,880
Shareholders' equity	48,587	46,152	44,182
Total sources of funding	**186,399**	**164,189**	**175,062**

The interim consolidated report on operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015. In this table of the Interim consolidated report on operations, 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 September 2020 and 31 September 2019, also on a pro-forma basis:

(Euro in thousands)	**As at 30 September 2020**	**As at 31 December 2019**	**As at 31 December 2019 pro-forma**
Trade receivables	61,001	67,929	68,606
Work in progress contracts	16,614	16,320	16,320
Inventories	78,100	69,924	69,924
Trade payables	(55,079)	(57,514)	(57,514)
Other current assets/(liabilities)	(21,157)	(23,636)	(32,662)
Net working capital [(1)]	**79,479**	**73,023**	**64,674**

The interim consolidated report on operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As

the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015.
In this table of the Interim consolidated report on operations, 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 79,479 thousand, marking an increase of Euro 14,805 thousand (equal to 22.9%) compared to 31 December 2019 pro-forma and decreased compared to the figure as at 30 June 2020 (Euro 83,334 thousand). This trend is mainly due to the increase in the item "Inventories" of Euro 8,176 thousand (equal to 11.7%) arising from invoicing delays originating during the period of lockdown, related to the decrease in the item "Trade receivables" of Euro 7,605 thousand (equal to 11.2%), due to lower invoicing volumes, and to the decrease in the item "Trade payables" of Euro 2,435 thousand (equal to 4.2%), due to the decrease in purchases. Moreover, the item "Other current assets/(liabilities)" as at 31 December 2019 on a pro-forma basis included the total consideration of the acquisition of the 4Service Group, equal to Euro 9,400 thousand, which was converted into a payment for a future capital increase at the acquisition date. The volume of net working capital remains a decisive element to support the sales expected in the last quarter of the year.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 September 2020 and 31 December 2019, also on a pro-forma basis:

(Euro in thousands)	**As at 30 September 2020**	**As at 31 December 2019**	**As at 31 December 2019 pro-forma**
Intangible assets	21,851	20,419	21,478
Property, plant and equipment	50,332	42,397	56,584
Rights of use	23,634	20,144	24,265
Equity investments in associates	4,215	3,984	3,984
Other equity investments	3	3	3
Fixed assets	**100,035**	**86,947**	**106,314**

Total *fixed assets* recorded a net decrease of Euro 6,297 thousand compared to 31 December 2019 pro-forma for the disposal of some trencher machines from the fleet no longer used for rental activities.

C) Net financial indebtedness

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

(Euro in thousands)	**As at 30 September 2020**	***of which with related parties and group***	**As at 31 December 2019**	***of which with related parties and group***	**As at 31 December 2019 pro-forma**	***of which with related parties and group***
Cash and cash equivalents	(48,886)		(17,935)		(20,012)	
Current financial assets (1)	(14,356)	*(3,732)*	(12,083)	*(4,072)*	(12,083)	*(4,072)*
Current financial liabilities	89,999	*8,145*	79,764	*2,158*	79,764	*2,158*
Current financial liabilities from rights of use	5,796		4,135		5,178	
Current portion of derivative financial instruments	3		6		6	
Current financial indebtedness (2)	**32,556**	***4,413***	**53,887**	***(1,914)***	**52,853**	***(1,914)***
Non-current financial liabilities	87,762	*4,263*	48,737	-	59,208	*10,471*
Non-current financial liabilities from rights of use	17,328		15,407		18,813	
Non-current portion of derivative financial instruments	166		6		6	
Non-current financial indebtedness (2)	**105,256**	***4,263***	**64,150**	**-**	**78,027**	***10,471***

Net financial indebtedness pursuant to CONSOB Communication no. DEM/6064293/2006	**137,812**	***8,676***	**118,037**	***(1,914)***	**130,880**	***8,557***
Shareholder loan	(10,536)	*(10,536)*	-		(10,471)	*(10,471)*
Net financial indebtedness before shareholder loan (*)	**127,276**	***(1,860)***	**118,037**	***(1,914)***	**120,409**	***(1,914)***

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

(1) **Current financial assets** as at 30 September 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.

(3) 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.

(4) **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 Interim Report on Operations 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 nine months of 2020, the Group's net financial indebtedness increased by Euro 6,932 thousand (+5.9%) compared to the pro-forma figure at the end of 2019, while it decreased by Euro 5,194 (-3.6%) thousand compared to the value registered as at 30 June 2020.

The table below shows the breakdown of the changes:

- decrease in current financial indebtedness of Euro 20,297 thousand due to the:
  - increase in cash and cash equivalents and current financial assets of Euro 31,147 thousand, mainly due to new sources of funding related to the "*Decreto Liquidità*" (Liquidity Decree);
  - increase in current financial liabilities of Euro 10,235 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 27,229 thousand relating mainly to the shareholder loan mentioned above and the signing of new medium/long-term loans for a total of Euro 66,584 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 September 2020, is equal to Euro 114,688 thousand with an increase of Euro 7,799 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 were reflected in the guidelines of the 2020-2023 Business Plan, approved by the Board of Directors on 3 September 2020, in the context of the share capital increase resolved by the Shareholders' Meeting of 21 May 2020, which is expected to be carried out 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 period ended 30 September 2020, we note the following non-recurring transactions:

- 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 September 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 Parties 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

The average number of Group employees in the first nine months of 2020, including the employees of companies that are fully consolidated, is 928 persons compared to 900 in the first nine months 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 September 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 reference period and the previous year.

Events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- on 20 October 2020, in relation to the share capital increase under option for a maximum of Euro 35 million, the majority shareholder TTC S.r.l., owner, directly and indirectly, of a total shareholding equal to 46.067% of the share capital of Tesmec, extended the irrevocable commitment to subscribe a further Euro 5 million, guaranteeing the unsubscribed portion up to that amount. Therefore, TTC made a formal and irrevocable commitment for itself and its Group companies to participate in the Share Capital Increase up to Euro 21,865,663, of which Euro 16,865,663 corresponding to its share of the Capital Increase.

Business outlook

The extraordinary and unpredictable spread of the COVID-19 pandemic had socio-economic consequences both nationally and internationally, negatively impacting short-term performance. The recovery phase, started at the end of the first half-year, allowed the Group to achieve a performance in the third quarter in line with revenues but better in terms of margins and cash generation compared to the same quarter of the previous year. These results allow the Group to confirm the closing targets, which forecast total turnover in the second half of 2020 of around Euro 100 million, an increasing EBITDA, as per the performance of the third quarter and a reduction in Net Financial Indebtedness at values in line with the pro-forma figure of 2019. The cash generation for the period is related to the containment of investments, the reduction in net working capital accumulated over the last few months and the overall expected profitability in the second half-year, as per the current trend of the third quarter.

Also in the light of the new Italian Decrees of the President of the Council of Ministers proposed in Italy in October and the restrictive measures introduced in the Countries where it operates, the Group confirms its short-term forecasts and assumes that future developments of the Covid-19 pandemic will not impact on the macroeconomic scenario to such an extent as to modify the medium-long term strategic assumptions related to the Strategic Plan. Any worsening of the measures introduced, like those of the first half of the year, could have an impact on short-term results but not on medium-long term choices. 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. In fact, the Group's business is concentrated in these strategic sectors that have extremely lively and significant growth prospects.

In particular, huge investments are planned in the Trencher segment to strengthen telecommunications networks with the consequent increase in excavation and connection projects in addition to strong development in the mining sector. The Rail segment is benefiting from a significant increase in investments to reduce traffic congestion of road vehicles and increase sustainable mobility together with major investments in line maintenance to ensure rail transport safety. In the Energy segment, the transition to renewable energy sources as well as the growing importance of streamlining power lines will drive to investments to support these trends.

INTERIM REPORT ON OPERATIONS

Consolidated financial statements

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

(Euro in thousands)	Notes	30 September 2020	31 December 2019
NON-CURRENT ASSETS			
Intangible assets	5	21,851	20,419
Property, plant and equipment	6	50,332	42,397
Rights of use	7	23,634	20,144
Equity investments in associates evaluated using the equity method		4,215	3,984
Other equity investments		3	3
Financial receivables and other non-current financial assets		2,514	2,745
Derivative financial instruments	16	2	4
Deferred tax assets		14,262	11,889
Non-current trade receivables		1,819	516
TOTAL NON-CURRENT ASSETS		**118,632**	**102,101**
CURRENT ASSETS			
Work in progress contracts	8	16,614	16,320
Inventories	9	78,100	69,924
Trade receivables	10	61,001	67,929
of which with related parties:	10	*2,842*	*5,518*
Tax receivables		1,608	1,045
Other available-for-sale securities	16	1	2
Financial receivables and other current financial assets	11	14,355	12,081
of which with related parties:	11	*3,732*	*4,072*
Other current assets		9,134	9,214
Cash and cash equivalents		48,886	17,935
TOTAL CURRENT ASSETS		**229,699**	**194,450**
TOTAL ASSETS		**348,331**	**296,551**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	10,708	10,708
Reserves / (deficit)	12	42,632	32,427
Group net profit / (loss)	12	(4,807)	2,967
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**48,533**	**46,102**
Capital and reserves / (deficit) attributable to non-controlling interests		40	36
Net profit / (loss) for the period attributable to non-controlling interests		14	14
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**54**	**50**
TOTAL SHAREHOLDERS' EQUITY		**48,587**	**46,152**
NON-CURRENT LIABILITIES			
Medium/long-term loans	13	77,891	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		17,328	15,407
Derivative financial instruments	16	166	6
Employee benefit liability		4,575	4,451
Deferred tax liabilities		6,512	5,771

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Provisions for risks and charges		-	88
Other non-current liabilities		625	625
TOTAL NON-CURRENT LIABILITIES		**116,968**	**75,085**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	15	75,032	79,764
of which with related parties:	15	*8,145*	*2,158*
Bond issue	14	14,967	-
Current financial liabilities from rights of use		5,796	4,135
Derivative financial instruments	16	3	6
Trade payables		55,079	57,514
of which with related parties:		*2,227*	*3,143*
Advances from customers		5,047	3,641
of which with related parties:		-	*13*
Income taxes payable		1,023	1,807
Provisions for risks and charges		3,014	3,104
Other current liabilities		22,815	25,343
TOTAL CURRENT LIABILITIES		**182,776**	**175,314**
TOTAL LIABILITIES		**299,744**	**250,399**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**348,331**	**296,551**

Consolidated income statement for the period ended 30 September 2020 and 2019

		As at 30 September	
(Euro in thousands)	**Notes**	**2020**	**2019**
Revenues from sales and services	17	**116,832**	**144,208**
of which with related parties:	17	*5,894*	*12,049*
Cost of raw materials and consumables		(49,816)	(63,248)
of which with related parties:		*(12)*	*(9)*
Costs for services		(20,992)	(26,413)
of which with related parties:		*(52)*	*(82)*
Payroll costs		(35,328)	(38,695)
Other operating (costs)/revenues, net		495	(3,742)
of which with related parties:		*(530)*	*(2,724)*
Amortisation and depreciation		(15,518)	(13,506)
Development costs capitalised		4,175	5,225
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		319	75
Total operating costs	18	**(116,665)**	**(140,304)**
Operating income		**167**	**3,904**
Financial expenses		(7,751)	(4,704)
of which with related parties:		*(371)*	*(200)*
Financial income		1,125	2,149
of which with related parties:		*72*	*68*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		18	5
Pre-tax profit/(loss)		**(6,441)**	**1,354**
Income tax		1,648	(630)
Net profit/(loss) for the period		**(4,793)**	**724**
Profit/(loss) attributable to non-controlling interests		**14**	**8**
Group profit/(loss)		**(4,807)**	**716**
Basic and diluted earnings/(losses) per share		**(0.045)**	**0.007**

Consolidated statement of comprehensive income for the period ended 30 September 2020 and 2019

		As at 30 September	
(Euro in thousands)	**Notes**	**2020**	**2019**
NET PROFIT/(LOSS) FOR THE PERIOD		**(4,793)**	**724**
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	(2,172)	1,135
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
	12	-	(203)
Total other income/(losses) after tax		**(2,172)**	**932**
Total comprehensive income (loss) after tax		**(6,965)**	**1,656**
Attributable to:			
Shareholders of Parent Company		(6,969)	1,649
Non-controlling interests		4	7

Statement of consolidated cash flows for the period ended 30 September 2020 and 2019

		As at 30 September	
(Euro in thousands)	**Notes**	**2020**	**2019**
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		(4,793)	724
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	5-6-7	15,518	13,506
Provisions for employee benefit liability		-	268
Provisions for risks and charges / inventory obsolescence / doubtful accounts		1,396	1,323
Employee benefit payments		124	(139)
Payments of provisions for risks and charges		(410)	(73)
Net change in deferred tax assets and liabilities		(1,810)	(340)
Change in fair value of financial instruments	16	159	(18)
Change in current assets and liabilities:			
Trade receivables	10	7,433	(11,677)
of which with related parties:	*10*	*2,663*	*167*
Inventories	9	(10,679)	(19,044)
Trade payables		(2,108)	3,698
of which with related parties:		*(916)*	*526*
Other current assets and liabilities		(3,744)	6,030
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**1,086**	**(5,742)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(4,627)	(7,083)
Investments in intangible assets	5	(7,760)	(7,844)
Investments in Rights of use	7	(2,925)	(1,658)
(Investments) / disposals of financial assets		(2,440)	(942)
of which with related parties:		*151*	*453*
Change in the consolidation area		(23,590)	-
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	5-6-7	8,703	2,783
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(32,639)**	**(14,744)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	13	58,535	7,089
of which with related parties:	13	*4,263*	-
Recognition of financial liabilities from rights of use		8,049	1,658
Repayment of medium/long-term loans	15	(5,022)	(6,140)
Repayment of financial liabilities from rights of use		(4,467)	(2,113)
Net change in short-term financial debt	15	(3,579)	(3,036)
of which with related parties:		*5,987*	*(472)*
Other changes	12	9,400	-
NET CASH FLOW GENERATED BY / (USED IN) FINANCING ACTIVITIES (C)		**62,916**	**(2,542)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**31,363**	**(23,028)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(412)	297
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)		**48,886**	**20,062**
Additional information:			
Interest paid		3,913	3,737
Income tax paid		1,093	609

Statement of changes in consolidated shareholders' equity for the period ended 30 September 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	-	-	-	-	-	-	(4,807)	(4,807)	14	(4,793)
Other profits/(losses)	-	-	-	-	(2,162)	-	-	(2,162)	(10)	(2,172)
Total comprehensive income/(loss)								**(6,969)**	**4**	**(6,965)**
Future capital increase	-	-	-	-	-	9,400	-	9,400	-	9,400
Allocation of profit for the period	-	-	-	-	-	2,967	(2,967)	-	-	-
Balance as at 30 September 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**2,866**	**29,051**	**(4,807)**	**48,533**	**54**	**48,587**

(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	-	-	-	-	-	-	716	716	8	724
Other profits/(losses)	-	-	-	-	1,136	(203)	-	933	(1)	932
Total comprehensive income/(loss)								**1,649**	**7**	**1,656**
Allocation of profit for the period	-	-	-	-	-	28	(28)	-	-	-
Balance as at 30 September 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**5,471**	**17,342**	**716**	**44,952**	**42**	**44,994**

Explanatory notes

Accounting policies adopted in preparing the interim consolidated report on operations as at 30 September 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 interim consolidated report on operations as at 30 September 2020 was prepared in condensed form in accordance with International Financial Reporting Standards (IFRS).

The accounting standards adopted in preparing the interim consolidated report on operations as at 30 September 2019 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.

It should be noted that the preparation of the interim consolidated report on operations 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 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 that require the immediate measurement of any impairment loss.

As required by the communications from ESMA, CONSOB and IOSCO[3], in this context of uncertainty caused by the COVID-19 pandemic, which is a trigger event that requires that impairment testing be conducted on non-current assets, unconformable to the usual periodic closing procedures, a process of estimation of any impairment of non-current assets was carried out at the end of the first half of 2020, as explained later in these explanatory notes.

The consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2019. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understand the economic and financial situation of the Group.

In the interim consolidated report on operations, the income statement and cash flow statement data for the period 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 September 2020 are compared with the corresponding final data as at 31 December 2019.

[3] ESMA - "Implications of the COVID-19 outbreak on the half-yearly financial reports" of 20 May 2020, CONSOB – "Emphasis 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 report on operations does 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 interim consolidated report on operations as at 30 September 2020 comprises 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. In the presentation of these statements, the figures as at 31 December 2019 for the statement of financial position and the figures for the first nine months of 2019 for the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows are reported as comparative data.
The interim consolidated report on operations as at 30 September 2020 is 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 reference to EBITDA and the Net Financial Position ratio on EBITDA, there may be circumstances of non-compliance with the contractual limits (covenants) of certain existing loans. 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 and for which the majority shareholder has expressed an irrevocable commitment to subscribe for an amount of up to approximately Euro 21.9 million, as well as the new lines of financing recently made available by the Group's lending banks, equal to around Euro 58 million, as evidence of the confirmed support of the banking system to the Group's development as part of the above-mentioned preparation process of the new Business Plan, are elements that should mitigate liquidity risk and, thus, confirm the adequacy of the going concern assumption.

The interim consolidated report on operations is presented in Euro. The balances in the financial statements and notes to the financial statements are expressed in thousands of Euros, except where specifically indicated.

Disclosure of the interim consolidated report on operations of the Tesmec Group for the period ended 30 September 2020 was authorised by the Board of Directors on 30 October 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 period ended 30 September		End-of-period exchange rate as at 30 September	
	2020	2019	2020	2019
US Dollar	1.125	1.124	1.171	1.089
Russian Rouble	79.960	73.085	91.776	70.756
South African Rand	18.809	16.132	19.709	16.558
Renminbi	7.866	7.714	7.972	7.778
Qatari Riyal	4.095	4.090	4.262	3.964
Algerian Dinar	141.524	134.004	151.305	131.340
Tunisian Dinar	3.179	3.325	3.237	3.128
Australian Dollar	1.663	1.608	1.644	1.613
New Zealand Dollar	1.762	1.693	1.780	1.738
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	10,671.76	10,266.98	11,404.46	10,028.77

3. Consolidation methods and area

As at 30 September 2020, the consolidation area changed compared 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 consolidated report on operations.

Amendments to IFRS 3: Definition of a 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 amendments had no impact on the Group's interim consolidated report on operations 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 had no impact on the Group’s interim consolidated report on operations.

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 interim consolidated report on operations 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 interim consolidated report on operations.

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 September 2020 are shown in the table below:

(Euro in thousands)	01/01/2020	Increases due to purchases	Change in the consolidation area	Decreases	Amortisation	Exchange rate differences	30/09/2020
Development costs	16,570	5,366	-	-	(5,421)	(67)	16,448
Rights and trademarks	2,447	35	-	(5)	(684)	-	1,793
Other intangible assets	24	-	-	-	(3)	(1)	20
Goodwill		-	129	-	-	-	129
Assets in progress and advance payments to suppliers	1,378	2,359	-	(276)	-	-	3,461
Total intangible assets	**20,419**	**7,760**	**129**	**(281)**	**(6,108)**	**(68)**	**21,851**

As at 30 September 2020, *intangible assets* totalled Euro 21,851 thousand, up Euro 1,432 thousand on the previous year. The change mainly refers to:

- development costs, which increased by Euro 5,366 thousand in the first nine months of 2020, and amortisation for the period of Euro 5,421 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;
- assets in progress and advance payments to suppliers of Euro 2,359 thousand, mainly related to costs incurred for the implementation of the new Group ERP.

As anticipated in paragraph *2. Reporting standards*, the COVID-19 pandemic is a "trigger event" that made it necessary to carry out impairment tests on non-current assets. At the end of the first half of 2020, the company carried out the impairment test, which did not reveal any impairment losses. In consideration of this result and of the Group's performance in the third quarter of 2020, which shows signs of recovery, no impairment indicators have emerged as at 30 September 2020 and therefore the results of the recent impairment test are still considered valid.

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	30/09/2020
Land	2,989	189	-	-	-	-	(9)	3,169
Buildings	15,158	555	-	-	(474)	451	(213)	15,477
Plant and machinery	3,522	420	-	(2)	(622)	518	(29)	3,807
Equipment	1,045	140	-	(14)	(321)	(50)	1	801
Other assets	19,004	3,161	18,285	(8,368)	(3,963)	(34)	(1,326)	26,759
Assets in progress and advance payments to suppliers	679	162	-	-	-	(522)	-	319
Total property, plant and equipment	**42,397**	**4,627**	**18,285**	**(8,384)**	**(5,380)**	**363**	**(1,576)**	**50,332**

As at 30 September 2020, property, plant and equipment totalled Euro 50,332 thousand, up compared to the previous year by Euro 7,935 thousand.
The change is mainly due to the increase in trencher machines registered in the fleet of Euro 3,161 thousand, following the signing of new lease contracts and change in the consolidation area of Euro 18,285 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 September 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	30/09/2020
Buildings - rights of use	15,286	399	-	(34)	(1,998)	(451)	(54)	13,148
Motor vehicles - rights of use	391	-	-	-	(50)	-	(3)	338
Hardware - rights of use	25	-	-	-	(6)	-	-	19
Operating machinery - rights of use	4,442	2,526	5,176	(4)	(1,976)	-	(35)	10,129
Total rights of use	**20,144**	**2,925**	**5,176**	**(38)**	**(4,030)**	**(451)**	**(92)**	**23,634**

The item rights of use as at 30 September 2020 amounted to Euro 23,634 thousand, increasing by Euro 3,490 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.
The reclassification of Euro 451 thousand is related to the purchase of the plant located in Patrica (FR) on 7 July 2020 and previously leased.

8. Work in progress contracts

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

(Euro in thousands)	30 September 2020	31 December 2019
Work in progress (Gross)	23,777	22,251
Advances from contractors	(7,163)	(5,931)
Work in progress contracts	**16,614**	**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 September 2020 compared to 31 December 2019:

(Euro in thousands)	**30 September 2020**	**31 December 2019**
Raw materials and consumables	41,893	40,065
Work in progress	15,518	13,885
Finished products and goods for resale	19,409	15,033
Advances to suppliers for assets	1,280	941
Total inventories	**78,100**	**69,924**

The item *inventories* compared to 31 December 2019 increased by Euro 8,176 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 September 2020 and as at 31 December 2019:

(Euro in thousands)	**30 September 2020**	**31 December 2019**
Trade receivables from third-party customers	58,159	62,411
Trade receivables from associates, related parties and joint ventures	2,842	5,518
Total trade receivables	**61,001**	**67,929**

Trade receivables decreased by Euro 6,928 thousand compared to 31 December 2019 reflecting the decrease in sales in the period.

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 September 2020 and as at 31 December 2019:

(Euro in thousands)	**30 September 2020**	**31 December 2019**
Financial receivables from associates, related parties and joint ventures	3,732	4,072
Financial receivables from third parties	10,534	7,959
Other current financial assets	89	50
Total financial receivables and other current financial assets	**14,355**	**12,081**

The increase in *current financial assets* from Euro 12,081 thousand to Euro 14,355 thousand is mainly due to the increase in credit positions relating to specific contracts signed with the related parties 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 September 2020 and as at 31 December 2019:

(Euro in thousands)	30 September 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)	(17,557)	(15,855)
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 nine months of 2020, medium/long-term loans increased from Euro 23,972 thousand to Euro 77,891 thousand mainly due to the taking-out of new medium/long-term loans offset by reclassification in current financial indebtedness of the short-term portion of medium/long-term loans.

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. At the date of this report, the waiver has been granted and, 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.

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.

Therefore, during the first nine months of the year, the bond issue “Tesmec S.p.A. 6% 2014-2021” of Euro 14,967 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 last quarter, 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 the existing bonds as the interest rate step-up already made in past years 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 September 2020 and as at 31 December 2019:

(Euro in thousands)	**30 September 2020**	**31 December 2019**
Advances from banks against invoices and bills receivables	42,458	45,960
Payables due to factoring companies	6,594	12,270
Current account overdrafts	-	1,189
Financial payables due to SIMEST	4,000	4,000
Short-term loans to third parties	553	425
Current portion of medium/long-term loans	13,282	13,762
Financial payables due to associates, related parties and joint ventures	8,145	2,158
Total interest-bearing financial payables (current portion)	**75,032**	**79,764**

The decrease in the item *interest-bearing financial payables (current portion)* of Euro 4,732 thousand is due to higher payables to related parties of Euro 5,987 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 offset by the decrease in payables due to factoring companies of Euro 5,676 thousand.

16. Categories of financial assets and liabilities

The following table shows the book values for each class of financial assets and liabilities identified by IAS 39 and owned by the Group as at 30 September 2020:

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 the derivative financial instruments, whether they are assets or liabilities, corresponds to the 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 presumed realisable value and therefore the fair value.

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

(Euro in thousands)	Current/Non-current assets	
	30 September 2020	31 December 2019
NON-CURRENT ASSETS:		
Receivables and other financial assets	2,514	2,745
Derivative financial instruments	2	4
Non-current trade receivables	1,819	516
CURRENT ASSETS:		
Trade receivables	61,001	67,929
Other available-for-sale securities	1	2
Financial receivables	14,355	12,081
Cash and cash equivalents	48,886	17,935

(Euro in thousands)	Current/non-current liabilities	
	30 September 2020	31 December 2019
NON-CURRENT LIABILITIES:		
Financial payables	77,891	23,972
Bond issue	9,871	24,765
Non-current financial liabilities and rights of use	17,328	15,407
Derivative financial instruments	166	6
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	75,032	79,764
Bond issue	14,967	-
Current financial liabilities and rights of use	5,796	4,135
Derivative financial instruments	3	6
Trade payables	55,079	57,514
Advances from customers	5,047	3,641

Disclosures: hierarchy levels of fair value measurement

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

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

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

(Euro in thousands)	Book value as at 30 September 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 assets	**3**	**-**	**2**	**1**
Financial liabilities:				
Derivative financial instruments	166	-	166	-
Total non-current	**166**	**-**	**166**	**-**
Derivative financial instruments	3	-	3	-
Total current	**3**	**-**	**3**	**-**
Total liabilities	**169**	**-**	**169**	**-**

17. Revenues from sales and services

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

	As at 30 September	
(Euro in thousands)	**2020**	**2019**
Sales of products	87,417	104,198
Services rendered	27,382	28,838
Changes in work in progress	2,033	11,172
Total revenues from sales and services	**116,832**	**144,208**

Pro-forma revenues of the Trencher segment as at 30 September 2020 amounted to Euro 68,381 thousand, decreasing by 23.5% compared to Euro 89,398 thousand as at 30 September 2019. This performance was affected by the slowdown in logistics and lease activities as well as by the stoppage of production and transport in the first half of the year; in the third quarter, the impact was stabilised thanks to the return to full operations. Therefore, the fourth quarter is expected to improve compared to the previous year.

The Rail segment recorded Revenues of Euro 21,428 thousand, decreasing by 8.1% compared to Euro 23,329 thousand as at 30 September 2019. This trend is essentially due to the slowdown in activities and the temporary closure of the Monopoli plant in March and April. In the third quarter, production levels remained fully operational, ensuring a better performance than in the previous year, the fourth quarter is expected to be in line with the outlook for the period.

With regard to the Energy segment, revenues amounted to Euro 29,187 thousand, down by 7.3% compared to the figure of Euro 31,481 thousand as at 30 September 2019. In particular, the Stringing segment recorded revenues of Euro 20,890 thousand, compared to Euro 23,510 thousand as at 30 September 2019, with a reduction in turnover due to the slowdown and stoppage of production activities from March to the first days of May. The quarter recorded a better performance than last year, confirming the improvement trend and the outlook at the end of the year. Conversely, in the first nine months of the year, the Energy-Automation segment achieved revenues of Euro 8,297 thousand compared to Euro 7,971 thousand as at 30 September 2019, recovering in the third quarter the gap due to the slowdown relative to the stoppage of production and transport of the first half-year and, therefore, confirming the expected growth prospects for this segment in the short and medium term.

18. Operating costs

Operating costs amounted to Euro 116,665 thousand and decreased by 16.8% compared to the previous year as a percentage lower than the decrease in revenues.

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 (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.

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

	As at 30 September							
	2020				2019			
(Euro in thousands)	**Energy**	**Trenchers**	**Rail**	**Consolidated**	**Energy**	**Trenchers**	**Rail**	**Consolidated**
Revenues from sales and services	29,187	66,217	21,428	116,832	31,481	89,398	23,329	144,208
Operating costs net of depreciation and amortisation	(25,437)	(57,329)	(18,381)	(101,147)	(27,696)	(79,617)	(19,485)	(126,798)
EBITDA	**3,750**	**8,888**	**3,047**	**15,685**	**3,785**	**9,781**	**3,844**	**17,410**
Amortisation and depreciation	(4,275)	(8,731)	(2,512)	(15,518)	(4,405)	(6,671)	(2,430)	(13,506)
Total operating costs	**(29,712)**	**(66,060)**	**(20,893)**	**(116,665)**	**(32,101)**	**(86,288)**	**(21,915)**	**(140,304)**
Operating income	**(525)**	**157**	**535**	**167**	**(620)**	**3,110**	**1,414**	**3,904**
Net financial income/(expenses)				(6,608)				(2,550)
Pre-tax profit/(loss)				**(6,441)**				**1,354**
Income tax				1,648				(630)
Net profit/(loss) for the period				**(4,793)**				**724**
Profit/(loss) attributable to non-controlling interests				14				8
Group profit/(loss)				**(4,807)**				**716**

(*) The interim consolidated report on operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.

The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015. In this table of the Interim consolidated report on operations, 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.

The directors monitor separately the results achieved by the business units in order to make decisions on resources, 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 operating segment as at 30 September 2020 and as at 31 December 2019:

	As at 30 September 2020					As at 31 December 2019				
(Euro in thousands)	Energy	Trenchers	Rail	Not allocated	Consolidated	Energy	Trenchers	Rail	Not allocated	Consolidated
Intangible assets	9,326	4,990	7,535	-	21,851	9,000	4,371	7,048	-	20,419
Property, plant and equipment	2,574	40,071	7,687	-	50,332	1,421	32,960	8,016	-	42,397
Rights of use	802	22,057	775	-	23,634	1,166	18,011	967	-	20,144
Financial assets	3,389	2,032	2	1,311	6,734	3,224	2,029	1	1,482	6,736
Other non-current assets	1,585	5,694	334	8,468	16,081	1,280	4,916	164	6,045	12,405
Total non-current assets	**17,676**	**74,844**	**16,333**	**9,779**	**118,632**	**16,091**	**62,287**	**16,196**	**7,527**	**102,101**
Work in progress contracts	-	-	16,614	-	16,614	-	-	16,320	-	16,320
Inventories	22,254	51,201	4,645	-	78,100	18,424	48,545	2,955	-	69,924
Trade receivables	9,601	40,400	11,000	-	61,001	12,067	46,204	9,658	-	67,929
Other current assets	1,621	5,227	6,732	11,518	25,098	1,508	2,689	7,411	10,734	22,342
Cash and cash equivalents	2,432	3,161	9,839	33,454	48,886	1,434	1,579	7,758	7,164	17,935
Total current assets	**35,908**	**99,989**	**48,830**	**44,972**	**229,699**	**33,433**	**99,017**	**44,102**	**17,898**	**194,450**
Total assets	**53,584**	**174,833**	**65,163**	**54,751**	**348,331**	**49,524**	**161,304**	**60,298**	**25,425**	**296,551**
Shareholders' equity attributable to parent company shareholders	-	-	-	**48,533**	**48,533**	-	-	-	**46,102**	**46,102**
Shareholders' equity attributable to non-controlling interests	-	-	-	**54**	**54**	-	-	-	**50**	**50**
Non-current liabilities	**2,025**	**18,502**	**8,741**	**87,700**	**116,968**	**2,209**	**8,162**	**7,166**	**57,548**	**75,085**
Current financial liabilities	4,126	8,411	12,335	65,130	90,002	1,609	6,395	11,287	60,479	79,770
Current financial liabilities from rights of use	290	2,345	83	3,078	5,796	256	1,447	53	2,379	4,135
Trade payables	17,925	25,211	11,943	-	55,079	14,507	34,201	8,806	-	57,514
Other current liabilities	1,444	7,155	12,563	10,737	31,899	1,376	7,118	14,968	10,433	33,895
Total current liabilities	**23,785**	**43,122**	**36,924**	**78,945**	**182,776**	**17,748**	**49,161**	**35,114**	**73,291**	**175,314**
Total liabilities	**25,810**	**61,624**	**45,665**	**166,645**	**299,744**	**19,957**	**57,323**	**42,280**	**130,839**	**250,399**
Total shareholders' equity and liabilities	**25,810**	**61,624**	**45,665**	**215,232**	**348,331**	**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:

(Euro in thousands)	As at 30 September 2020					As at 30 September 2019				
	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.	(237)	-	-	-	-	617	(9)	-	-	6
Subtotal	**(237)**	**-**	**-**	**-**	**-**	**617**	**(9)**	**-**	**-**	**6**
Joint Ventures:										
Condux Tesmec Inc.	5,188		(2)	132	10	2,153	-	-	133	8
Tesmec Peninsula	92	-	-	-	38	270	-	-	-	34
Subtotal	**5,280**	**-**	**(2)**	**132**	**48**	**2,423**	**-**	**-**	**133**	**42**
Related parties:										
Ambrosio S.r.l.	-	-	-	(2)	(3)	-	-	-	(8)	(1)
TTC S.r.l.	-	-	(51)	-	-	-	-	(79)	-	-
RX S.r.l.	-	-	-	-	(64)					
Ceresio Tours S.r.l.	-	-	(3)	-	-	-	-	(6)	-	-
Dream Immobiliare S.r.l.	-	-	-	-	(272)	-	-	-	(970)	(174)
FI.IND	-	-	-	52	(8)	-	-	-	28	-
M.T.S. Officine Meccaniche S.p.A.	851	(12)	4	(712)	-	7,417	-	3	(1,422)	(5)
MTS4SERVICE USA LLC	-	-	-	-	-	1,510	-	-	(485)	-
COMATEL	-	-	-	-	-	82	-	-	-	-
C2D	-	-	-	-	-	-	-	-	-	-
Subtotal	**851**	**(12)**	**(50)**	**(662)**	**(347)**	**9,009**	**-**	**(82)**	**(2,857)**	**(180)**
Total	**5,894**	**(12)**	**(52)**	**(530)**	**(299)**	**12,049**	**(9)**	**(82)**	**(2,724)**	**(132)**

(Euro in thousands)	As at 30 September 2020					31 December 2019				
	Trade receivables	**Current financial receivables**	**Current financial payables**	**Long-term financial payables**	**Trade payables**	**Trade receivables**	**Current financial receivables**	**Current financial payables**	**Trade payables**	**Advances from customers**
Associates:										
Locavert S.A.	16	-	-	-	-	422	-	-	-	-
R&E Contracting	-	184	-	-	-	-	230	-	-	-
Subtotal	**16**	**184**	**-**	**-**	**-**	**422**	**230**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	2,306	700	-	-	3	2,187	425	-	2	-
Tesmec Peninsula	72	1,977	1,372	-	-	147	2,060	1,658	-	-
Marais Tunisie	-	-	-	-	-	-	1	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**2,378**	**3,471**	**1,372**	**-**	**3**	**2,334**	**3,280**	**1,658**	**2**	**-**
Related parties:										
TTC S.r.l.	-	-	-	4,263	85	-	-	-	61	-
RX S.r.l.	-	-	5,531	-	64	-	-	-	-	
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	1	-
Dream Immobiliare S.r.l.	-	77	-	-	894	-	562	-	51	-
Ambrosio S.r.l.	-	-	-	-	18	-	-	-	9	-
Fi.ind.	-	-	742	-	9	-	-	-	-	-

M.T.S. Officine Meccaniche S.p.A.	448	-	500	-	1,154	1,532	-	500	3,019	-
MTS4SERVICE USA LLC	-	-	-	-	-	1,230	-	-	-	13
Comatel	-	-	-	-	-	-	-	-	-	-
Subtotal	**448**	**77**	**6,773**	**4,263**	**2,224**	**2,762**	**562**	**500**	**3,141**	**13**
Total	**2,842**	**3,732**	**8,145**	**4,263**	**2,227**	**5,518**	**4,072**	**2,158**	**3,143**	**13**

21. Significant events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- on 20 October 2020, in relation to the share capital increase under option for a maximum of Euro 35 million, the majority shareholder TTC S.r.l., owner, directly and indirectly, of a total shareholding equal to 46.067% of the share capital of Tesmec, extended the irrevocable commitment to subscribe a further Euro 5 million, guaranteeing the unsubscribed portion up to that amount. Therefore, TTC made a formal and irrevocable commitment for itself and its Group companies to participate in the Share Capital Increase up to Euro 21,865,663, of which Euro 16,865,663 corresponding to its share of the Capital Increase.

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 adopted to prepare the Interim consolidated report on operations as at 30 September 2020.

2. We also certify that:

2.1 the Interim consolidated report on operations as at 30 September 2020:

- has 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;
- corresponds to the amounts shown in the Company's accounts, books and records;
- gives 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 nine months of the financial period and their impact on the Interim consolidated report on operations, together with a description of the main risks and uncertainties for the three 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, 30 October 2020

Ambrogio Caccia Dominioni

Chief Executive Officer

Marco Paredi

Manager responsible for preparing the Company’s financial statements

E-MARKET SDIR CERTIFIED

www.tesmec.com

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