Interim Consolidated Financial Report at March 31, 2021

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Tesmec S.p.A.
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Fully paid-up share capital as at 31 March 2021 Euro 15,702,162
Milan Register of Companies no. 314026
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COMPOSITION OF THE CORPORATE BODIES

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

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

(*) Independent Directors

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

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

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

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

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

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

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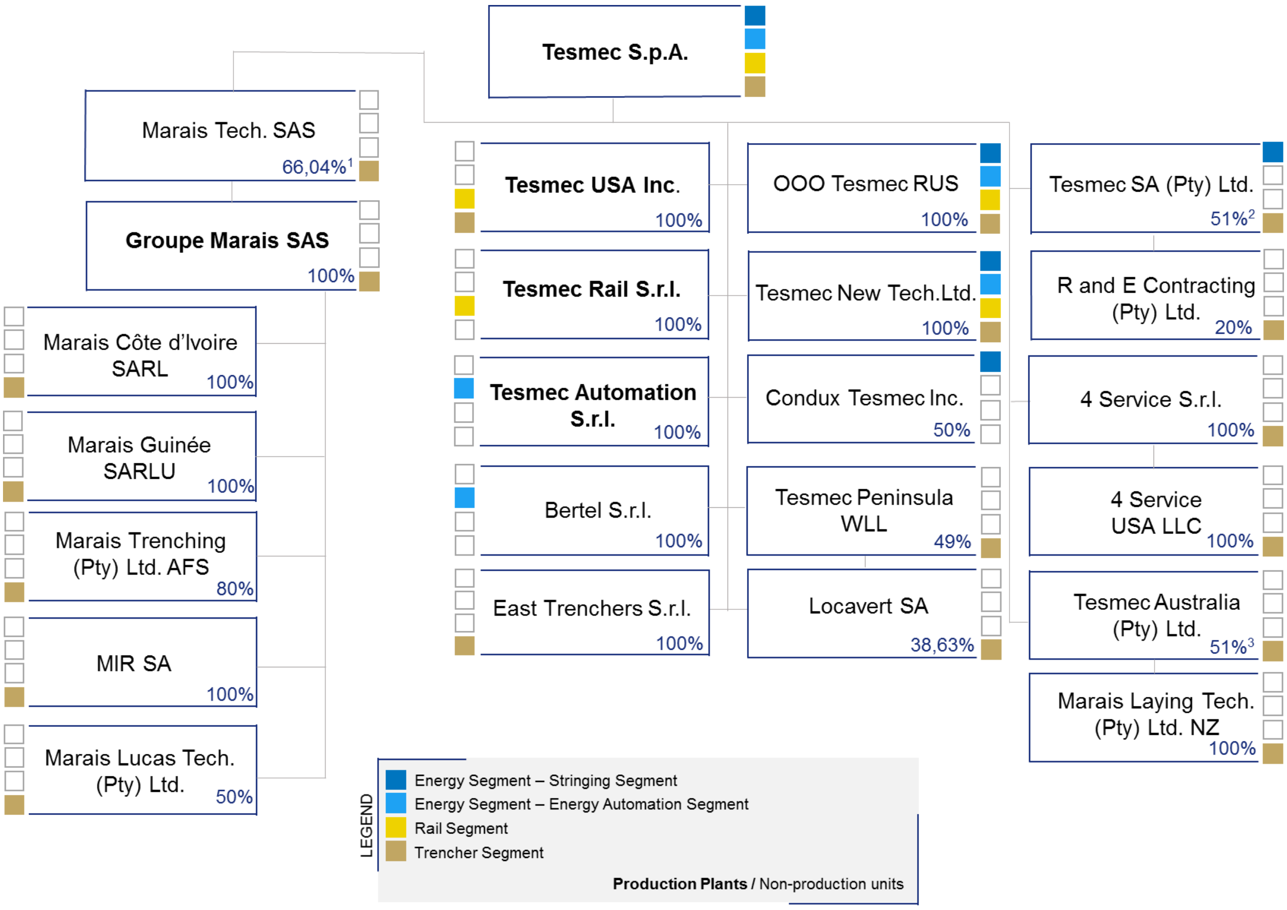
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

GROUP STRUCTURE



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

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

INTERIM CONSOLIDATED REPORT ON OPERATIONS

(Not audited by the Independent Auditors)

1. Introduction

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

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

Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group, as from its listing on the Stock Exchange on 1 July 2010, has 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 has 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);
- rental of the trenching machines;
- 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 or rental 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

Global economic activity continued to expand in the first few months of 2021. The continuation of the vaccination campaigns and the strong support of monetary and tax policies were reflected in a marked improvement in the medium-term prospects. However, in the first few months of the year, the spread of virus variants caused an increase in the number of infections, which keeps uncertainty about short-term developments high. In the first few months of the year, consumer price inflation in the main advanced economies rose, but remained moderate overall. Share prices have risen since January in all the main advanced economies. Oil prices also rose, reflecting improved global growth prospects; however, futures contracts indicate slightly lower prices in the medium term. According to current assessments, conditions are emerging for global output to return to pre-pandemic levels at the end of the year. The baseline scenario of the International Monetary Fund released in April expects global output to grow by 6% in 2021, exceeding the levels prior to the pandemic by the end of the year, and by 4.4% in 2022. However, global recovery will depend on the evolution of the pandemic, economic policy actions and trends in financial conditions. In this regard, the improvement of the global framework and the approval of the budget stimulus of the Biden administration led to a sharp rise in long-term yields in the United States, which partly spread to other advanced countries, although the increase was more limited in the Eurozone. Concurrently with the approval of the new fiscal stimulus package in the United States, the euro depreciated by 3% against the dollar even if, in the future, there are signs of a strengthening euro.

In the Eurozone, economic activity was affected by the new wave of infections; despite a temporary pick-up in inflation, the price outlook remains weak. Based on preliminary data, inflation stood at 1.3% over twelve months in March, but inflation expectations increased across the board. Based on the information available and processed in March by ECB experts, GDP appears to have decreased in the first quarter of this year, while it is expected to grow by 4.0% in 2021 and by 4.1% and 2.1%, respectively, in the following two years, with a slightly slower trend compared to global prospects.
On 11 February, the regulation on the Fund for recovery and resilience was approved; the latter will convey almost 90% of the resources of the European Union's recovery instrument, the *Next Generation EU* (NGEU), which amounts to Euro 750 billion overall. The provision of the Fund to be distributed among the Member States amounts to Euro 672.5 billion (of which Euro 360 billion in the form of loans) and is intended to finance investments and reforms specified in the national recovery and resilience plans aimed at six strategic objectives: (a) green transition; (b) digital transformation; (c) smart, sustainable and inclusive employment and growth; (d) social and territorial cohesion; (e) health and resilience; (f) policies for the next generation, including education and skills.

In Italy, after the easing at the beginning of the year, the restrictions on personal mobility and certain economic activities were gradually tightened and extended to a large part of the country to contain the spread of infection. The Bank of Italy models indicate that in the first quarter economic activity remained almost unchanged compared to the previous three months, albeit with a large degree of uncertainty surrounding this trend and with heterogeneous developments across sectors: industrial production appears to have increased slightly less than 1% with a weak trend in the added value of services. According to international bodies and analysts, GDP is expected to expand at rates above 4% this year, with a significant recovery in the second half of the year, supported by the global context. However, this scenario is not without risk; it assumes that support to the economy is maintained and that the interventions being introduced under the National Recovery and Resilience Plan (NRP) prove effective. Moreover, prospects mainly depend on the success of the vaccination campaign and a favourable development of infections. According to companies, the time needed to return to pre-pandemic production standards is currently on average estimated at 16 months. However, investing conditions have become slightly more favourable: a large number of companies expects an increase in investment spending this year, especially in industry.
In the fourth quarter of 2020, Italian goods exports grew in line with world trade. Foreign demand for Italian securities strengthened; as a result of the current portion surplus, Italy's net foreign credit position increased. Labour market conditions suggest that the trend in wages will remain limited in the coming months. The number of employees rose but remains far from the level before the health crisis. The change in consumer prices, which had been negative in the last months of 2020, reached 0.6% in March. The situation was affected by the trend in energy prices. The conditions of the financial markets continue to be relaxed. The trend of commercial lending continued to expand at a steady pace, mainly reflecting a still high demand for guaranteed loans; the supply conditions are accommodating.
In view of the new measures to contain infection, in March the government launched further measures to support households and businesses in particular and is preparing the National Recovery and Resilience Plan (NRP) as part of the Next Generation EU instrument. According to initial indications, the available resources amount to almost Euro 192 billion, of which around Euro 123 billion in the form of loans.

A scenario of a return to sustained and lasting growth is therefore plausible, albeit not without risks. Prospects remain mainly dependent on the progress of the vaccination campaign and a favourable evolution of infections, as well as on the effectiveness of the interventions being introduced as part of the NRP.

3. Effects of the COVID-19 pandemic

As is well known, since January 2020, the national and international scenario was characterised by the spread of the COVID-19 virus (known as Coronavirus) and the consequent restrictive measures for its containment. The Group 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 large gatherings. Frequent cleaning and sanitisation 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 stringent. These measures have always been adopted in full compliance with government provisions and, in compliance with the Authority's requirements, the Group stopped its operations in the factories of Grassobbio, Endine, Sirone, Fidenza and Padua from March 23 to May 4, and in plants in Patrica and Monopoli from 23 March to 12 April. Operations in Durtal (France) were suspended from March 17 to April 20, in compliance with the provisions of the French government, while the Alvarado (USA) plant had no interruptions. In Australia and New Zealand, where the Group does not have production plants but where it operates in several job sites, the activities were stopped from March 19 to May 15 and from March 25 to April 27, respectively. The progressive slowdown in the spread of infections has made it possible to restart, after the adoption of a prevention and safety protocol which has been agreed with occupational health specialists and union representatives. In compliance with this protocol, the Group carried out an extended sanitisation 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 the measurement of body temperature before entry is required, and the organization of areas and work shifts to better guarantee social distancing measures. The implementation of smart working continues to be encouraged and investments have been integrated to allow activities to be carried out remotely.

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, the Group confirms what has already been indicated in previous periodic reports, i.e. in the context of the overall reduction in economic figures recorded during the previous year, and in particular in the first two quarters of 2020, it cannot identify which and how much of it is directly attributable to the pandemic. The figures and economic results of the corresponding period of the previous year were certainly influenced to a greater extent, although not exclusively, by the pandemic. The overall impacts are shown below in the report.

Despite the restrictions on personal mobility and certain economic activities that were gradually tightened and extended to a large part of the country to contain the spread of infections and the worsening of the pandemic, following the spread of variants of the virus, during the first quarter of 2021 the Group managed to achieve results in line with forecasts, by virtue of the fact that there were no interruptions in operating activities. However, in the current pandemic context, which necessarily entails some uncertainties, the Group cannot exclude that in the very short term there may be slowdowns in production and service activities without, however, affecting the overall forecast related to the 2020-2023 Business Plan in the medium-long term. In fact, short-term objectives and the Plan are based on the assumption that the pandemic situation does not entail the adoption of new restrictive measures similar to those imposed in the first part of 2020 or a significant worsening of the international macroeconomic scenario.

4. Significant events during the period

No significant events occurred during the period.

5. Activity, reference market and operating performance for the first three months of 2021

The consolidated financial statements of Tesmec have been prepared in accordance with the *International Financial Reporting Standards* (hereinafter the "IFRS" or the "International Accounting Standards"), endorsed by the European Commission, in effect as at 31 December 2020. The following table shows the major economic and financial indicators of the Group in March 2021 compared to the same period in 2020.

	OVERVIEW OF THE FINANCIAL RESULTS	
31 March 2020	**Key income statement data (Euro in millions)**	**31 March 2021**
31.8	Operating Revenues	49.0
2.5	EBITDA	7.1
(1.7)	Operating Income	1.4
(1.4)	Foreign exchange gains/losses	1.9
(3.0)	Group Net Profit	1.1

[1] ESMA – "Implications of the COVID-19 outbreak on the half-yearly financial reports" (May 2020) and "European common enforcement priorities for 2020 IFRS annual financial reports" (October 2020); CONSOB - "Warning notice" 6/2020 of 9 April 2020 and 8/2020 of 16 July 2020 and "Warning notice" 1/2021 of 16 February 2021; IOSCO - "Statement on Importance of Disclosure about COVID-19" of 29 May 2020.

31 December 2020	Key financial position data (Euro in millions)	31 March 2021
938	Number of employees	910
173.8	Net Invested Capital	189.5
69.4	Shareholders' Equity	71.8
104.4	Net Financial Indebtedness	117.7
27.5	Investments in property, plant and equipment, intangible assets and rights of use	(1.0)

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

- Tesmec USA Inc., a company that is 100% owned by Tesmec S.p.A., is based in Alvarado (Texas) and operates in the Trencher segment and in the stringing equipment/rail sector. In the first three months, it generated revenues of Euro 4,212 thousand.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), is 100% owned by Tesmec S.p.A. In the first three months, it generated revenues of Euro 2,081 thousand.

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by American shareholder Condux, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. The company has been consolidated using the equity method and in the first three months of the year generated revenues totalling Euro 811 thousand.

- Marais Technologies SAS, with registered office in Durtal (France), 66.04% owned by Tesmec S.p.A., 33.96% by Simest S.p.A. Acquired on 8 April 2015, the French company is at the head of a leading international group in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. During the first quarter of 2021, the Group generated revenues totalling Euro 15,037 thousand.

- Tesmec Automation S.r.l., a company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG) and specialised in the design and sale of sensors, integrated fault detectors and measurement devices for medium voltage power lines. In the first three months, it generated revenues of Euro 3,576 thousand.

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail sector. During the first three months, the company continued production activities related to contracts in progress, recording revenues of Euro 6,925 million.

6. Income statement and balance sheet situation as at 31 March 2021

6.1 Alternative performance measures

In this section, a number of Alternative Performance Measures not envisaged by IFRS (non-GAAP measures) and used by the directors in order to allow a better assessment of the Group's operating performance are illustrated. 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.

The Alternative Performance Measures shown below are not audited and should not be interpreted as indicators of the Group's future performance:

- EBITDA: it is represented by the operating income including amortisation/depreciation and can be directly inferred from the consolidated income statement.
- Net working capital: it is calculated as current assets net of current liabilities excluding financial assets and financial liabilities and can be directly inferred from the consolidated income statement.
- Net invested capital: it is calculated as net working capital plus fixed assets and other long-term assets less non-current liabilities and can be directly inferred from the consolidated income statement.

- Net financial indebtedness: it is calculated pursuant to CONSOB No. DEM/6064293/2006 Communication as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities and fair value of hedging instruments. 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. This indicator can also be directly inferred from the consolidated income statement.

6.2 Income statement

Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 31 March 2021 with those as at 31 March 2020.

The main accounting figures for the first three months of 2021 and 2020 are presented in the table below:

	Quarter ended 31 March			
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**
Revenues from sales and services	**48,956**	**100.0%**	**31,837**	**100.0%**
Cost of raw materials and consumables	(21,510)	-43.9%	(9,969)	-31.3%
Costs for services	(6,774)	-13.8%	(6,881)	-21.6%
Payroll costs	(13,345)	-27.3%	(12,128)	-38.1%
Other operating (costs)/revenues, net	(1,460)	-3.0%	(1,411)	-4.4%
Amortisation and depreciation	(5,696)	-11.6%	(4,181)	-13.1%
Increase in development costs capitalised	1,464	3.0%	994	3.1%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(237)	-0.5%	27	0.1%
Total operating costs	**(47,558)**	**-97.1%**	**(33,549)**	**-105.4%**
Operating income	**1,398**	**2.9%**	**(1,712)**	**-5.4%**
Net financial income/expenses	(1,357)	-2.8%	(980)	-3.1%
Foreign exchange gains/losses	1,885	3.9%	(1,407)	-4.4%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	57	0.1%	(9)	0.0%
Pre-tax profit/(loss)	**1,983**	**4.1%**	**(4,108)**	**-12.9%**
Income tax	(882)	-1.8%	1,116	3.5%
Net profit/(loss) for the period	**1,101**	**2.2%**	**(2,992)**	**-9.4%**
Profit/(loss) attributable to non-controlling interests	7	0.0%	6	0.0%
Group profit/(loss)	**1,094**	**2.2%**	**(2,998)**	**-9.4%**

Revenues

Total revenues as at 31 March 2021, compared to the corresponding period of the previous year, recorded an increase of 53.8%.

	Quarter ended 31 March				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Sales of products	30,854	63.02%	19,881	62.45%	10,973
Services rendered	12,176	24.87%	10,870	34.14%	1,306
Changes in work in progress	5,926	12.10%	1,086	3.41%	4,840
Total revenues from sales and services	**48,956**	**100.00%**	**31,837**	**100.00%**	**17,119**

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

Revenues by geographic area

The Group's turnover is produced abroad for 78.5% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, comparing the first quarter of 2021 with the first quarter of 2020, showing that the Group maintains a percentage distribution of sales in line, with a focus on Italy and Europe. It is emphasised that the segmentation by geographic area is determined by the country where the customer is located, regardless of where project activities are organised.

	Quarter ended 31 March	
(Euro in thousands)	**2021**	**2020**
Italy	10,510	5,942
Europe	11,445	8,307
Middle East	5,054	1,310
Africa	3,650	1,760
North and Central America	8,857	7,771
BRIC and Others	9,440	6,747
Total revenues	**48,956**	**31,837**

Operating costs net of depreciation and amortisation

	Quarter ended 31 March			
(Euro in thousands)	**2021**	**2020**	**2021 vs 2020**	**% change**
Cost of raw materials and consumables	(21,510)	(9,969)	(11,541)	115.8%
Costs for services	(6,774)	(6,881)	107	-1.6%
Payroll costs	(13,345)	(12,128)	(1,217)	10.0%
Other operating (costs)/revenues, net	(1,460)	(1,411)	(49)	3.5%
Increase in development costs capitalised	1,464	994	470	47.3%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(237)	27	(264)	-977.8%
Operating costs net of depreciation and amortisation	**(41,862)**	**(29,368)**	**(12,494)**	**42.5%**

The table shows an increase in operating costs of Euro 12,494 thousand (+42.5%). Among cost items, there was mainly an increase in cost items for raw materials linked to sales realised during the period.

EBITDA

In terms of margins, EBITDA amounted to Euro 7,191 thousand, up on the figure recorded in the first half of 2020 when it was equal to Euro 4,722 thousand.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

	Quarter ended 31 March				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Operating income	1,398	2.9%	(1,712)	-5.4%	3,110
+ Amortisation and depreciation	5,696	11.6%	4,181	13.1%	1,515
EBITDA	**7,094**	**14.5%**	**2,469**	**7.8%**	**4,625**

Financial Management

(Euro in thousands)	Quarter ended 31 March 2021	2020
Net financial income/expenses	(1,387)	(983)
Foreign exchange gains/losses	1,885	(1,407)
Fair value adjustment of derivative instruments	30	3
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	57	(9)
Total net financial income/expenses	**585**	**(2,396)**

The net financial management increased compared to the same period in the previous financial year by a total of Euro 2,981 thousand, with the following changes reported:

- improvement of Euro 3,292 thousand due to the different exchange rate trend in the two periods of reference that resulted in the recording of net profits totalling Euro 1,885 thousand in the first quarter of 2021 (Euro 29 thousand realised and Euro 1,856 thousand unrealised) against a net loss of Euro 1,407 thousand in the first quarter of 2020;
- worsening of net financial income/expenses of Euro 404 thousand deriving from the increase in interest expense on medium/long-term loans of Euro 491 thousand.

6.3 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 March 2021 compared to those at 31 March 2020, broken down by the three operating segments:

	Quarter ended 31 March				
(Euro in thousands)	2021	% of revenues	2020	% of revenues	2021 vs 2020
Energy	10,813	22.1%	7,410	23.3%	3,403
Trencher	30,963	63.2%	16,855	52.9%	14,108
Rail	7,180	14.7%	7,572	23.8%	(392)
Total Revenues	**48,956**	**100.0%**	**31,837**	**100.0%**	**17,119**

In the first three months of 2021, the Group recorded consolidated revenues of Euro 48,956 thousand, an increase of Euro 17,119 (53.8%) thousand compared to Euro 31,837 thousand in the same period of the previous year. This change, despite the persistence of a situation of uncertainty in the global context due to the pandemic, brings revenues back to the levels before COVID-19 with better margins thanks to the actions undertaken in 2020 and to the integration of the 4service Group.

In detail, the turnover of the Trencher segment as at 31 March 2021 was Euro 30,963 thousand, up by 83.7% compared to Euro 16,855 thousand as at 31 March 2020. This performance is mainly attributable to the recovery of operations in the sector, compared to the corresponding quarter of the previous year strongly affected by the lock down, and to the first signs of restart in the investment and infrastructure market.

With regard to the Energy segment, revenues amounted to Euro 10,813 thousand, up by 45.9% compared to the figure of Euro 7,410 thousand as at 31 March 2020. In particular, the Energy-Automation segment achieved revenues of Euro 3,349 thousand, compared to Euro 1,519 thousand as at 31 March 2020. Also in this sector there is a recovery driven by the growth of investments. Therefore, the quarter recorded a strong improvement compared to the first quarter 2020 strongly influenced by the lock down.

The Rail segment recorded revenues of Euro 7,180 thousand, substantially in line with the previous year, when they amounted to Euro 7,572 thousand. This sector was less affected in the previous year by the lock down, therefore, revenues are in line with the expectations of the Group and characterized by a different production mix compared to first quarter of last year.

EBITDA by segment

The tables below show the income statement figures as at 31 March 2021 compared to those at 31 March 2020, broken down by the two operating segments:

	Quarter ended 31 March				
(Euro in thousands)	2021	% of revenues	2020	% of revenues	2021 vs 2020
Energy	1,707	15.8%	692	9.3%	1,015
Trencher	4,375	14.1%	700	4.2%	3,675
Rail	1,012	14.1%	1,077	14.2%	(65)
EBITDA	**7,094**	**14.5%**	**2,469**	**7.8%**	**4,625**

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

- Trencher: the improvement of EBITDA from Euro 700 thousand in the first quarter of 2020 to Euro 4,375 thousand in 2021 is due to the recovery of full operations in the sector as described in the previous paragraph.
- Energy: EBITDA increased from Euro 692 thousand as at 31 March 2020 to Euro 1,707 thousand as at 31 March 2021 thanks to the positive contribution of the Energy-Automation segment;
- Rail: EBITDA is substantially in line with the previous year, despite the slight decrease in revenues described above.

6.4 Balance sheet and financial profile

Information is provided below on the Group's main equity indicators as at 31 March 2021 compared to 31 December 2020. In particular, the following table shows the reclassified funding sources and uses of the consolidated balance sheet as at 31 March 2021 and as at 31 December 2020:

(Euro in thousands)	As at 31 March 2021	As at 31 December 2020
USES		
Net working capital	86,523	64,256
Fixed assets	95,882	99,530
Other long-term assets and liabilities	7,076	10,032
Net invested capital	**189,481**	**173,818**
SOURCES		
Net financial indebtedness	117,705	104,370
Shareholders' equity	71,776	69,448
Total sources of funding	**189,481**	**173,818**

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 31 March 2021 and 31 December 2020:

(Euro in thousands)	As at 31 March 2021	As at 31 December 2020
Trade receivables	72,914	60,415
Work in progress contracts	16,953	11,216
Inventories	78,722	74,386
Trade payables	(60,071)	(61,385)
Other current assets/(liabilities)	(21,995)	(20,376)
Net working capital	**86,523**	**64,256**

Net working capital amounted to Euro 86,523 thousand, marking an increase of Euro 22,267 thousand (equal to 34.7%) compared to 31 December 2020. This trend is mainly due to the increase in “Trade receivables" of Euro 12,499 thousand (20.7%), as the sales of the first quarter were mainly concentrated in the month of March, and to the increase in "Work in progress contracts" of Euro 5,737 thousand (51.2%) as a result of the progress of projects in the Rail segment.

B) Fixed assets

The table below shows a breakdown of “Fixed assets” as at 31 March 2021 and 31 December 2020:

(Euro in thousands)	**As at 31 March 2021**	**As at 31 December 2020**
Intangible assets	22,808	22,487
Property, plant and equipment	46,956	49,831
Rights of use	21,761	22,825
Equity investments in associates	4,354	4,384
Other equity investments	3	3
Fixed assets	**95,882**	**99,530**

Total *fixed assets* recorded a net decrease of Euro 3,648 thousand compared to 31 December 2020 following 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 31 March 2021 and 31 December 2020:

(Euro in thousands)	**As at 31 March 2021**	***of which with related parties and group***	**As at 31 December 2020**	***of which with related parties and group***
Cash and cash equivalents	(53,594)		(70,426)	
Current financial assets	(17,147)	*(2,869)*	(13,777)	*(3,691)*
Current financial liabilities	78,633	*2,860*	85,799	*2,788*
Current financial liabilities from rights of use	5,552		5,218	
Current portion of derivative financial instruments	-		1	
Current financial indebtedness	**13,444**	***(9)***	**6,815**	***(903)***
Non-current financial liabilities	87,425	*3,263*	80,530	*3,263*
Non-current financial liabilities from rights of use	16,695		16,855	
Non-current portion of derivative financial instruments	141		170	
Non-current financial indebtedness	**104,261**	***3,263***	**97,555**	**3,263**
Net financial indebtedness pursuant to CONSOB Communication no. DEM/6064293/2006	**117,705**	***3,254***	**104,370**	***2,360***

In the first three months of 2021, the Group’s net financial indebtedness increased by Euro 13,335 thousand compared to the figure at the end of 2020, to service the increase in net working capital. The net financial indebtedness prior to the application of IFRS 16, as at 31 March 2021, is equal to Euro 95,458 thousand with an increase of Euro 13,161 thousand compared to the end of 2019.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 6,629 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 13,462 thousand;

- decrease in current financial liabilities of Euro 7,166 thousand mainly due to the reclassification to non-current financial liabilities of the portions classified as current in 2020 due to failure to comply with certain financial parameters;

- increase in medium/long-term financial indebtedness of Euro 6,706 thousand relating to new loans taken out in the first three months of the year and to the reclassification, following the actual obtaining of waivers in the long term of the portions classified in the short term in the 2020 financial year.

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.

7. Management and types of financial risk

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2020, where the Group's policies in relation to the management of financial risks are presented.

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

In compliance with the CONSOB communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, it should be noted that during the first quarter of the 2021 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant inter-company and related party information, please see the paragraph "Related party transactions" in the Explanatory Notes.

9. Group Employees

The number of Group employees in the first quarter of 2021, including the employees of companies that are fully consolidated, is 910 persons compared to 938 in 2020.

10. Other information

Events occurring after the end of the reporting period

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

- on 21 April 2021, the Board of Directors of Simest S.p.A. extended until December 22, 2023 the deadline for the repurchase, by Tesmec S.p.A., of the stake held by Simest in Marais Technologies S.A.S.;

- on 22 April 2021, the Shareholders’ Meeting of Tesmec S.p.A. convened electronically, in ordinary session, on single call, approved the Financial statements 2020 and the allocation of net result. During the Shareholders’ meeting, the Group's Consolidated Financial Statements for the year 2020 including the Non-Financial Statement were also presented. The Shareholders’ Meeting also resolved in favor of the First Section of the Report on Remuneration Policy and remuneration paid pursuant to Article 123-ter of Italian Legislative Decree 58/1998 and Article 84-quater of the Issuers’ Regulation no. 11971/1999 and authorized the Board of Directors to purchase Tesmec ordinary shares.

Business outlook

Global economic activity continued to expand in the first few months of 2021. The continuing vaccination campaign and the strong monetary and fiscal policy support are reflected in a clear improvement in the medium-term outlook. Nevertheless, the global recovery will depend on the path of the pandemic, economic policy action and future developments in financial conditions. About this, the improvement in the global situation and the approval of the fiscal stimulus package of the Biden administration have led to a marked increase in long-term yields in the United States. On 11 February, in the euro area, the

regulation establishing the Recovery and Resilience Facility (RRF) was approved; it will distribute almost 90% of the resources of the European Union's recovery package, Next Generation EU (NGEU), equal to Euro 750 billion overall. In Italy, during March the Government has adopted further support measures, especially for households and firms, and is drawing up the National Recovery and Resilience Plan (NRRP) within the recovery package Next Generation EU.
Considering the above and on the basis of the results achieved during the first quarter of the year, Tesmec believes it can confirm the targets for the year 2021, expecting to achieve a total turnover of approximately Euro 220 million, an EBITDA higher than 16% and a reduction in Net Financial indebtedness compared to the end of 2020.In the Trencher Sector, recurring revenues are expected to grow, driven by the development of rental and after-sales assistance activities, which will allow to get higher EBITDA margins, and, on the other hand, by the rationalization of the product range and standardization of technological platforms in order to have greater efficiency in terms of production and logistics. In the Railway Sector, growth in revenues and margins is expected thanks to the development of diagnostics and recurring services - characterized by higher margins thanks to the greater technological content - to geographical diversification and to the economies of experience. In the Energy Sector, the growth is linked to the execution of orders acquired in the Energy Automation segment and the development prospects expected for the Stringing segment on markets with higher added value, such as USA and Europe. The improvement in margins will be achieved through specific product and commercial strategies for the two business segments, such as: in the Stringing segment, a premium price policy on digital machines, the standardization of the offer in line with the customizations required by customers and the improvement of the procurement process, on the other hand, in the Energy Automation segment, the standardization of products, the exploitation of economies of experience and the change in the mix offered "from products to systems". In addition, the Group expects that the rationalization and cost analysis actions undertaken in 2020 may have a positive impact also in the 2021 across the several business units. During the year, Tesmec expects to mitigate and report the change in working capital, which increased during the first quarter due to external factors linked to the trend of the procurement and freight transport market, within the targets defined in the Business Plan 2020-2023.

Tesmec operates in sectors that will benefit from new investments and development policies aimed at strengthening the key infrastructures of the main countries: the Group's business is focused on strategic sectors that have extreme liveliness and significant growth prospects. Big investments are planned in the Trencher sector to strengthen the telecommunications networks with the consequent increase in excavation and connection projects, as well as strong development in the mining sector. The railway sector is benefiting from an important increase in investments to reduce congestion in the traffic of road vehicles and to increase sustainable mobility, together with important investments in the management of railway lines aimed at assuring the safety of rail transport. The Energy sector is characterized by the transition to renewable energy sources, as well as by the growing importance of the efficiency of the power grids resulting in relevant investments to support these trends.

The effects of these investments, both in terms of general macroeconomic recovery and impact on the Group's activities and volumes, will be all the more evident the faster the process of definition and assignment, by the government authorities, of the interventions related to the so-called Recovery fund made available by the leaders of the European Union institutions.

CONSOLIDATED FINANCIAL STATEMENTS

(Not audited by the Independent Auditors)

Consolidated statement of financial position as at 31 March 2021 and as at 31 December 2020

(Euro in thousands)	31 March 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible assets	22,808	22,487
Property, plant and equipment	46,956	49,831
Rights of use	21,761	22,825
Equity investments in associates evaluated using the equity method	4,354	4,384
Other equity investments	3	3
Financial receivables and other non-current financial assets	1,934	5,196
Derivative financial instruments	1	1
Deferred tax assets	15,737	16,446
Non-current trade receivables	2,026	1,302
TOTAL NON-CURRENT ASSETS	**115,580**	**122,475**
CURRENT ASSETS		
Work in progress contracts	16,953	11,216
Inventories	78,722	74,386
Trade receivables	72,914	60,415
of which with related parties:	*2,490*	*1,590*
Tax receivables	1,439	1,444
Other available-for-sale securities	1	1
Financial receivables and other current financial assets	17,146	13,776
of which with related parties:	*2,869*	*3,691*
Other current assets	11,358	8,810
Cash and cash equivalents	53,594	70,426
TOTAL CURRENT ASSETS	**252,127**	**240,474**
TOTAL ASSETS	**367,707**	**362,949**
SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
Share capital	15,702	15,702
Reserves / (deficit)	54,909	60,513
Group net profit / (loss)	1,094	(6,828)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**71,705**	**69,387**
Capital and reserves / (deficit) attributable to non-controlling interests	64	44
Net profit / (loss) for the period attributable to non-controlling interests	7	17
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**71**	**61**
TOTAL SHAREHOLDERS' EQUITY	**71,776**	**69,448**
NON-CURRENT LIABILITIES		
Medium/long-term loans	81,231	74,336
of which with related parties:	*3,263*	*3,263*
Bond issue	6,194	6,194
Non-current financial liabilities from rights of use	16,695	16,855
Derivative financial instruments	141	170
Employee benefit liability	4,712	4,660
Deferred tax liabilities	7,410	7,628
Other long-term liabilities	500	625

TOTAL NON-CURRENT LIABILITIES	**116,883**	**110,468**
CURRENT LIABILITIES		
Interest-bearing financial payables (current portion)	61,179	68,362
of which with related parties:	*2,860*	*2,788*
Current bond issue	*17,454*	*17,437*
Current financial liabilities from rights of use	5,552	5,218
Derivative financial instruments	-	1
Trade payables	60,071	61,385
of which with related parties:	*1,146*	*1,465*
Advances from customers	5,580	3,185
Income taxes payable	817	626
Provisions for risks and charges	3,145	2,968
Other current liabilities	25,250	23,851
TOTAL CURRENT LIABILITIES	**179,048**	**183,033**
TOTAL LIABILITIES	**295,931**	**293,501**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**367,707**	**362,949**

Consolidated income statement for the quarter ended 31 March 2021 and 2020

	Quarter ended 31 March	
(Euro in thousands)	**2021**	**2020**
Revenues from sales and services	**48,956**	**31,837**
of which with related parties:	*2,220*	*2,450*
Cost of raw materials and consumables	(21,510)	(9,969)
of which with related parties:	-	*(8)*
Costs for services	(6,774)	(6,881)
of which with related parties:	*(8)*	*(32)*
Payroll costs	(13,345)	(12,128)
Other operating (costs)/revenues, net	(1,460)	(1,411)
of which with related parties:	*23*	*(593)*
Amortisation and depreciation	(5,696)	(4,181)
Increase in development costs capitalised	1,464	994
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(237)	27
Total operating costs	**(47,558)**	**(33,549)**
Operating income	**1,398**	**(1,712)**
Financial expenses	(2,183)	(3,376)
of which with related parties:	*(14)*	*(124)*
Financial income	2,711	989
of which with related parties:	*18*	*19*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	57	(9)
Pre-tax profit/(loss)	**1,983**	**(4,108)**
Income tax	(882)	1,116
Net profit/(loss) for the period	**1,101**	**(2,992)**
Profit/(loss) attributable to non-controlling interests	7	6
Group profit/(loss)	**1,094**	**(2,998)**
Basic and diluted earnings/(losses) per share	**0.0018**	**(0.0280)**

Consolidated statement of comprehensive income for the quarter ended 31 March 2021 and 2020

	Quarter ended 31 March	
(Euro in thousands)	**2021**	**2020**
NET PROFIT/(LOSS) FOR THE PERIOD	**1,101**	**(2,992)**
Other components of comprehensive income:		
Exchange differences on conversion of foreign financial statements	1,224	185
Total other income/(losses) after tax	**1,224**	**185**
Total comprehensive income (loss) after tax	**2,325**	**(2,807)**
Attributable to:		
Shareholders of Parent Company	2,318	(2,813)
Non-controlling interests	7	6

Statement of consolidated cash flows for the quarter ended 31 March 2021 and 2020

	Quarter ended 31 March	
(Euro in thousands)	**2021**	**2020**
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) for the period	1,101	(2,992)
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:		
Amortisation and depreciation	5,696	4,181
Provisions for employee benefit liability	382	356
Provisions for risks and charges / inventory obsolescence / doubtful accounts	576	296
Employee benefit payments	(330)	(306)
Payments of provisions for risks and charges	(5)	(117)
Net change in deferred tax assets and liabilities	621	(1,138)
Change in fair value of financial instruments	(30)	(3)
Change in current assets and liabilities:		
Trade receivables	(12,100)	10,118
of which with related parties:	*(900)*	*293*
Inventories and work in progress contracts	(9,058)	(8,136)
Trade payables	(1,466)	(2,077)
of which with related parties:	*(319)*	*770*
Other current assets and liabilities	(1,124)	(655)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	**(15,737)**	**(473)**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(1,548)	(2,102)
Investments in intangible assets	(2,397)	(2,549)
Investments in rights of use	(654)	(423)
(Investments)/disposals of financial assets	163	(178)
of which with related parties:	*151*	*(143)*
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	3,579	132
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(857)**	**(5,120)**
NET CASH FLOW FROM FINANCING ACTIVITIES		
Disbursement of medium/long-term loans	2,232	-
Disbursement of shareholder loans	-	2,213
of which with related parties:	-	*2,213*
Recognition of financial liabilities from rights of use	1,532	372
Repayment of medium/long-term loans	(2,370)	(1,887)
Repayment of financial liabilities from rights of use	(1,359)	(1,157)
Net change in short-term financial debt	(436)	(1,169)
of which with related parties:	*72*	*(97)*
Purchase of treasury shares	-	-
Change in the consolidation area	-	-
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)	**(401)**	**(1,628)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)	**(16,995)**	**(7,221)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)	163	(301)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	70,426	17,935
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**53,594**	**10,413**
Additional information:		
Interest paid	601	621
Income tax paid	106	552

Statement of changes in consolidated shareholders’ equity for the quarter ended 31 March 2021 and 2020

(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 2021	**15,702**	**2,141**	**39,215**	**(2,341)**	**1,809**	**19,689**	**(6,828)**	**69,387**	**61**	**69,448**
Comprehensive income statement	-	-	-	-	1,224	-	1,094	2,318	10	2,328
Allocation of the result for the period	-	-	-	-	-	(6,828)	6,828	-	-	-
Change in the consolidation area	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2021	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,033**	**12,861**	**1,094**	**71,705**	**71**	**71,776**

(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**
Comprehensive income statement	-	-	-	-	185	-	(2,998)	(2,813)	6	(2,807)
Allocation of the result for the period	-	-	-	-	-	2,967	(2,967)	-	-	-
Change in the consolidation area	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**5,213**	**19,651**	**(2,998)**	**43,289**	**56**	**43,345**

Explanatory notes

Accounting policies adopted in preparing the interim consolidated financial report as at 31 March 2021

1. Company information

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

2. Reporting standards

The interim consolidated financial report as at 31 March 2021 were prepared in condensed form. The interim consolidated financial report, not disclosing all the information required in the preparation of the annual consolidated financial statements, nor an interim financial report pursuant to IAS 34, must be read together with the consolidated financial statements as at 31 December 2020.
The accounting standards adopted in preparing the interim consolidated financial report as at 31 March 2021 are those adopted for preparing the consolidated financial statements as at 31 December 2020 in compliance with IFRS, to which reference is made for full details.

Note that the standards and interpretations approved by the European Union and that came into force for the first time on 1 January 2021 have no particular relevance for the Group. Moreover, the Group has not adopted in advance any other principle, interpretation or modification published but not yet in force.

The consolidated financial report as at 31 March 2021 consists of the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows.
The presentation of these statements shows, as comparative data, the data as at 31 December 2020 for the statement of financial position and the data for the first quarter of 2020 for the consolidated income statement, for the consolidated comprehensive income statement, for changes in shareholders' equity and for the cash flow statement.

In particular, it should be noted that the layout of the consolidated financial position, the consolidated income statement, the consolidated comprehensive income statement, the changes in consolidated shareholders' equity and the consolidated cash flow statement are drawn up in an extended form and are the same as those adopted for the Financial Statements. consolidated as at 31 December 2020.

As required by the ESMA, CONSOB and IOSCO[2] communications, in the present context of uncertainty caused by the COVID-19 pandemic, which constitutes a “trigger event”, it is necessary to carry out impairment tests on non-current assets. At the time of the 2020 annual closure, the company carried out the impairment test from which no permanent losses in value emerged. In consideration of this result and the performance of the Group in the first quarter of 2021 which shows signs of recovery, no indicators of lasting loss of value have emerged as of March 31, 2021 and therefore the results of the recent impairment test are still considered valid.

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

Publication of the quarterly consolidated financial report of Tesmec Group for the period ended 31 March 2021 was authorised by the Board of Directors on 12 May 2021.

[2] ESMA - “Implications of the COVID-19 outbreak on the half-yearly financial reports” (May 2020) and “European common enforcement priorities for 2020 IFRS annual financial reports” (October 2020); CONSOB - “Emphasis Matter” 6/2020 of 9 April 2020 and 8/2020 of 16 July 2020 and “Emphasis Matter” 1/2021 of 16 February 2021; IOSCO - “Statement on Importance of Disclosure about COVID-19” of 29 May 2020.

3. Consolidation methods and area

The interim consolidated financial report comprise the interim financial report of Tesmec S.p.A. and its subsidiaries as at 31 March 2021. The accounting standards and consolidation methods adopted in preparing the interim consolidated financial report as at 31 March 2021 are those adopted for preparing the consolidated financial statements as at 31 December 2020 to which reference is made for full details.

As at 31 March 2021, no changes have taken place in the consolidation area in comparison with 31 December 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 quarter ended 31 March		End-of-period exchange rate as at 31 March	
	2021	**2020**	**2021**	**2020**
US Dollar	1.20	1.10	1.17	1.10
Russian Rouble	89.67	73.70	88.32	85.95
Qatari Riyal	4.39	4.01	4.27	3.99
South African Rand	18.03	16.93	17.35	19.61
Renminbi	7.81	7.69	7.68	7.78
Australian Dollar	1.56	1.68	1.54	1.80
Algerian Dinar	160.29	132.78	157.09	136.15
New Zealand Dollar	1.68	1.74	1.68	1.84
Tunisian Dinar	3.28	3.13	3.28	3.15
CFA Franc	655.96	655.96	655.96	655.96
GNF Franc	12,106.50	10,325.65	11,675.72	10,284.76

4. Segment Reporting

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

Energy segment

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

Trencher segment

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

Rail segment

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

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

(*Euro in thousands*)	Quarter ended 31 March							
	2021				2020			
	Energy	Trencher	Rail	Consolidated	Energy	Trencher	Rail	Consolidated
Revenues from sales and services	10,813	30,963	7,180	48,956	7,410	16,855	7,572	31,837
Operating costs net of depreciation and amortisation	(9,106)	(26,588)	(6,168)	(41,862)	(6,718)	(16,155)	(6,495)	(29,368)
EBITDA	**1,707**	**4,375**	**1,012**	**7,094**	**692**	**700**	**1,077**	**2,469**
Amortisation and depreciation	(1,450)	(3,220)	(1,026)	(5,696)	(1,328)	(2,107)	(746)	(4,181)
Total operating costs	**(10,556)**	**(29,808)**	**(7,194)**	**(47,558)**	**(8,046)**	**(18,262)**	**(7,241)**	**(33,549)**
Operating income	**257**	**1,155**	**(14)**	**1,398**	**(636)**	**(1,407)**	**331**	**(1,712)**
Net financial income/(expenses)				585				(2,396)
Pre-tax profit/(loss)				**1,983**				**(4,108)**
Income tax				(882)				1,116
Net profit/(loss) for the period				**1,101**				**(2,992)**
Profit/(loss) attributable to non-controlling interests				7				6
Group profit/(loss)				**1,094**				**(2,998)**

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 business segment as at 31 March 2021 and as at 31 December 2020:

(*Euro in thousands*)	As at 31 March 2021					As at 31 December 2020				
	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	10,079	5,572	7,157	-	22,808	9,748	5,287	7,452	-	22,487
Property, plant and equipment	2,738	36,554	7,664	-	46,956	2,756	39,474	7,601	-	49,831
Rights of use	730	20,358	673	-	21,761	760	21,351	714	-	22,825
Financial Assets	3,437	1,022	2	1,831	6,292	3,523	965	1,925	3,171	9,584
Other non-current assets	1,785	6,424	798	8,756	17,763	1,736	7,197	841	7,974	17,748
Total non-current assets	**18,769**	**69,930**	**16,294**	**10,587**	**115,580**	**18,523**	**74,274**	**18,533**	**11,145**	**122,475**
Work in progress contracts	**612**	**16,341**	-	-	16,953	-	-	11,216	-	11,216
Inventories	19,295	53,587	5,840	-	78,722	18,316	50,030	6,040	-	74,386
Trade receivables	7,499	43,409	13,715	8,291	72,914	9,330	38,400	12,685	-	60,415
Other current assets	2,780	5,608	7,581	13,975	29,944	1,825	5,052	6,164	10,990	24,031
Cash and cash equivalents	4,438	5,175	6,096	37,885	53,594	3,565	7,145	7,721	51,995	70,426
Total current assets	**34,624**	**124,120**	**33,232**	**60,151**	**252,127**	**33,036**	**100,627**	**43,826**	**62,985**	**240,474**
Total assets	**53,393**	**194,050**	**49,526**	**70,738**	**367,707**	**51,559**	**174,901**	**62,359**	**74,130**	**362,949**
Shareholders' equity attributable to parent company shareholders	-	-	-	**71,705**	**71,705**	-	-	-	**69,387**	**69,387**
Shareholders' equity attributable to non-controlling interests	-	-	-	**71**	**71**	-	-	-	**61**	**61**
Non-current liabilities	**3,341**	**19,445**	**10,851**	**83,246**	**116,883**	**1,760**	**17,725**	**8,468**	**82,515**	**110,468**
Current financial liabilities	2,837	3,484	10,502	61,810	78,633	3,788	6,255	9,616	66,141	85,800
Current financial liabilities from rights of use	261	2,430	84	2,777	5,552	242	2,129	83	2,764	5,218
Trade payables	18,266	29,464	12,341	-	60,071	19,124	29,666	12,595	-	61,385
Other current liabilities	2,773	7,839	13,139	11,041	34,792	1,590	7,812	13,358	7,870	30,630
Total current liabilities	**24,137**	**43,217**	**36,066**	**75,628**	**179,048**	**24,744**	**45,862**	**35,652**	**76,775**	**183,033**

Total liabilities	**27,478**	**62,662**	**46,917**	**158,874**	**295,931**	**26,504**	**63,587**	**44,120**	**159,290**	**293,501**
Total shareholders' equity and liabilities	**27,478**	**62,662**	**46,917**	**230,650**	**367,707**	**26,504**	**63,587**	**44,120**	**228,738**	**362,949**

5. Related party transactions

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

	Quarter ended 31 March 2021					Quarter ended 31 March 2020				
(Euro in thousands)	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses
Associates:										
Locavert S.A.	55	-	-	-	-	83	-	-	-	-
Subtotal	**55**	**-**	**-**	**-**	**-**	**83**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	1,538	-	-	31	2	2,046	-	-	45	1
Tesmec Peninsula	-	-	-	-	13	18	-	-		12
Subtotal	**1,538**	**-**	**-**	**31**	**15**	**2,064**	**-**	**-**	**45**	**13**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-	-	-	-	(1)	(1)
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	(2)	-	-
Dream Immobiliare S.r.l.	-	-	-	(11)	(2)	-	-	-	-	(117)
TTC S.r.l.	-	-	(8)	-	-	-	-	(30)	-	-
Fi.ind.	-	-	-	-	-	-	-	-	27	-
M.T.S. Officine meccaniche S.p.A.	518	-	-	3	(1)	279	(8)	-	(582)	-
4SERVICE USA L.L.C	-	-	-	-	-	23	-	-	(82)	-
RX S.r.l.	-	-	-	-	(8)	-	-	-	-	-
ICS Tech. S.r.l.	109	-	-	-	-	-	-	-	-	-
Comatel	-	-	-	-	-	1	-	-	-	-
Subtotal	**627**	**-**	**(8)**	**(8)**	**(11)**	**303**	**(8)**	**(32)**	**(638)**	**(118)**
Total	**2,220**	**-**	**(8)**	**23**	**4**	**2,450**	**(8)**	**(32)**	**(593)**	**(105)**

	31 March 2021					31 December 2020				
(Euro in thousands)	Trade receivables	Current financial receivables	Non-current financial liabilities	Current financial payables	Trade payables	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables
Associates:										
Locavert S.A.	10	-	-	-	-	27	-	-	-	-
R&E Contracting (Pty) Ltd.	-	-	-	-	-	-	-	-	-	-
Subtotal	**10**	**-**	**-**	**-**	**-**	**27**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	2,058	23	-	-	12	1,345	933	-	-	25
Tesmec Peninsula	17	1,974	-	1,286	4	12	1,887	-	1,214	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**2,075**	**2,791**	**-**	**1,286**	**16**	**1,357**	**3,614**	**-**	**1,214**	**25**
Related parties:										

Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	-	-
Dream Immobiliare S.r.l.	-	78	-	-	1,005	-	77	-	-	1,240
Ambrosio S.r.l.	-	-	-	-	27	-	-	-	-	22
Fi.ind.	-	-	-	-	-	25	-	-	-	11
TTC S.r.l.	-	-	3,263	-	90	-	-	-	-	16
M.T.S. Officine meccaniche S.p.A.	272	-	-	43	-	181	-	3,050	43	59
4SERVICE USA L.L.C	-	-	-	-	-	-	-	-	-	-
ICS Tech. S.r.l.	133	-	-	-	-	-	-	-	-	-
RX S.r.l.	-	-	-	1,531	8	-	-	213	1,531	92
Subtotal	**405**	**78**	**3,263**	**1,574**	**1,130**	**206**	**77**	**3,263**	**1,574**	**1,440**
Total	**2,490**	**2,869**	**3,263**	**2,860**	**1,146**	**1,590**	**3,691**	**3,263**	**2,788**	**1,465**

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

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

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

   of the administrative and accounting procedures for preparing the Interim Condensed Consolidated Financial Report as at 31 March 2021.

2. We also certify that:

2.1 the Condensed Consolidated Financial Report as at 31 March 2021:

- correspond to the amounts shown in the Company's accounts, books and records;
- give an actual view of the financial position, the results of the operations and of the cash flows of the issuer and of its consolidated companies.

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

Grassobbio, 12 May 2021

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

E-MARKET SDIR CERTIFIED

ATTRACTIVE TECHNOLOGIES

Tesmec S.p.A.

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