TESMEC

Interim Consolidated Financial Report at September 30, 2021

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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 2021 Euro 15,702,162
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152

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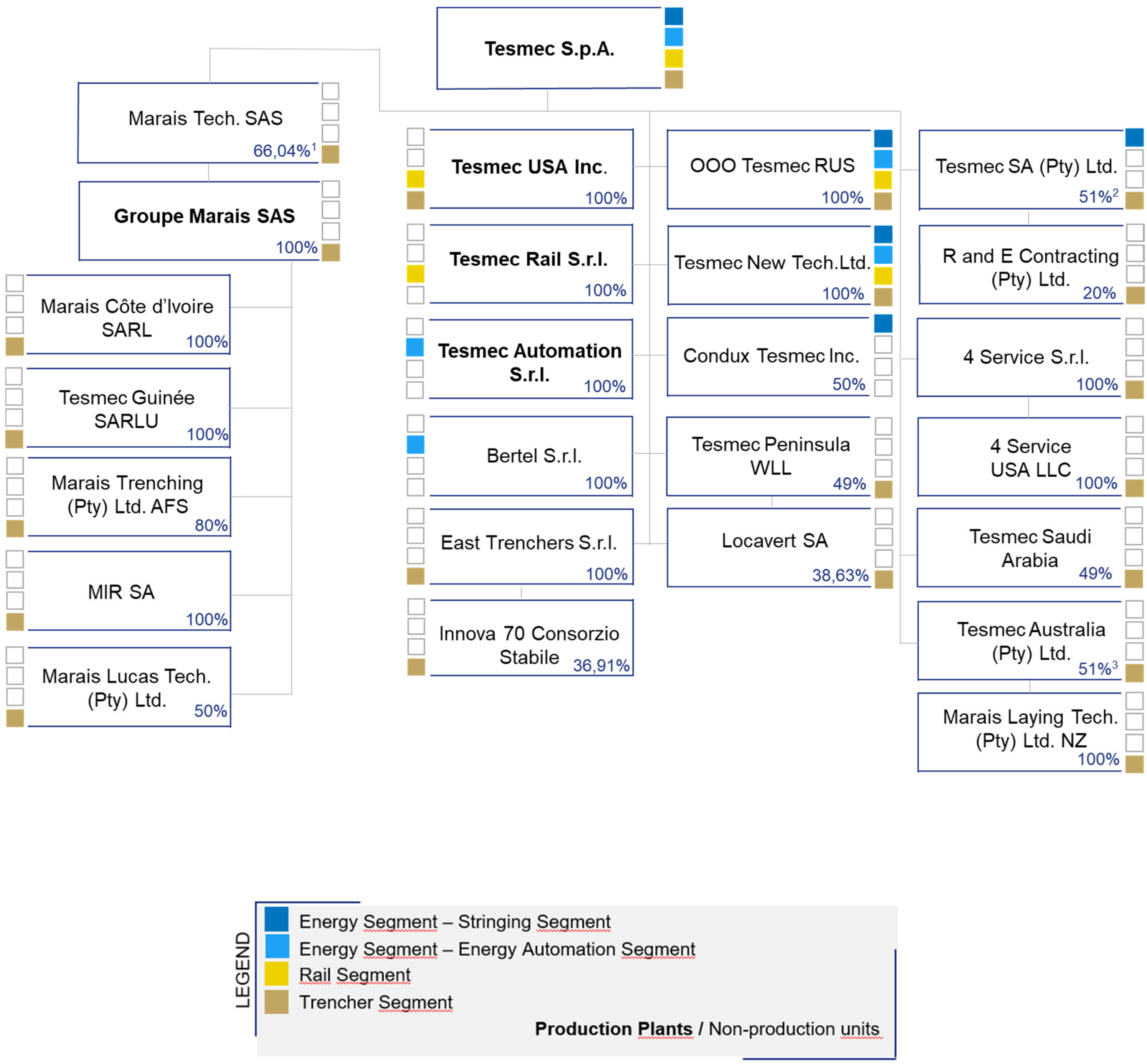
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

E-MARKET SDIR CERTIFIED

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 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, Ivory Coast and Saudi Arabia.

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

The global recovery continues to be strong, albeit with uncertainties related to the pace of vaccination campaigns and the spread of new variants of the virus. Trade returned to pre-pandemic levels, but significant bottlenecks emerged on the supply side - partly caused by the very speed of the recovery - mainly related to semiconductor shortages and critical issues in logistics and transport.

Inflation expectations increased: after a drop in August, oil prices started to rise again, boosting global inflation. Natural gas prices also increased significantly. These tensions in supplies of raw materials and intermediate inputs may continue to affect prices for a longer period than initially expected, and some factors suggest that part of the price increase may become permanent.

According to forecasts released in October by the International Monetary Fund, world GDP will grow by 5.9% in 2021, exceeding pre-pandemic levels. However, the outlook remains mixed across countries: output in advanced economies will be back in line with the pre-pandemic trend next year, while in emerging economies the effects of the health crisis will be more lasting. While confirming their expansionary monetary stance, as cyclical conditions improved, the Federal Reserve and the Bank of England began to foreshadow assessments that will determine when and how monetary stimulus will be reduced.

In the Eurozone, growth continues to be robust, even if the consequences of the health emergency have not been fully absorbed. Manufacturing activity was held back by global semiconductor shortages and by the lengthening of the delivery times of intermediate inputs.
Consumer-price inflation stood at 3.4% in September and inflation expectations from inflation swaps increased over the two- and five-year horizons. The acceleration of prices is mainly due to the extremely strong growth of the energy component, which is likely to persist in the coming months, also as a result of the sharp increase in natural gas prices.
The Governing Council of the ECB believes that maintaining favourable financing conditions remains essential to ensure the continuation of the recovery. Since the beginning of July, the Euro depreciated against the dollar, reflecting expectations of a relatively more expansionary monetary stance by the ECB in the coming months. The Commission started disbursing the first portion of pre-financing resources for more than Euro 52 billion, of which just under half is earmarked for Italy.

In the summer months, the Italian economy continued to benefit from the progress of the vaccination campaign and the full recovery of mobility. The significant recovery of value added in services, especially in the sectors most affected by the containment measures (trade, transport and accommodation), was accompanied by a new increase in industry. According to the most recent information, industrial production continued to grow in the third quarter, steadily recovering pre-pandemic levels. The Bank of Italy's updated forecast also suggests that growth could be around 6% year-on-year. The new estimates were affected by a higher than expected growth in GDP and take into account, among other things, some favourable elements emerged during the monitoring of revenues and expenses of the Public Administrations. In fact, economic activity is benefiting from the positive trend in demand, while the unavailability of intermediate inputs is the most significant obstacle to the activity of industrial companies. Shortages in the supply of raw materials and intermediate products, limitations and increased costs in transport and the consequent lengthening of delivery times continue to put increasing pressure on the early stages of price formation. Among companies with supply problems, 80% reported increases in production inputs, about 70% reported their unavailability, and a similar proportion reported delays related to supplier processing or transport times; in particular, the unavailability of semiconductors and other electrical components mainly affected the engineering sector. These difficulties are mainly reflected in an increase in sales prices (34%) and delivery times (30%), as well as in the reduction in profit margins (23%).
Inflation in September reached 2.9%, driven by a marked increase in energy prices to 20.5%. The increase is likely to continue in the coming months, which is why companies have adjusted their inflation expectations and price increase forecasts upwards. However, on the whole, companies confirm very favourable opinions on the conditions for investing. Imports increased - especially the goods component - against the background of further recovery in investment. Exports of services also increased supported by the gradual recovery of international tourism.

Financial market conditions in Italy remained relaxed and purchases of Italian public and private securities by non-residents continued. Since the second half of July, Italian government bond yields on long-term maturities in particular, increased, as have yields in the major advanced economies. Share prices have risen more in Italy than in the Eurozone (7.4% and 3.6%) since the second half of July. The positive effect of the announcement of higher-than-expected profits was partly offset by fears about possible increases in market rates and the trend in energy prices. In the summer months, growth in loans to non-financial companies lost momentum, reflecting lower applications for loans in the face of the abundant liquidity accumulated over the past year and a half and the improved cash flows induced by positive economic developments.

However, the effects of the pandemic crisis have not been fully overcome and the use of wage support instruments is still widespread. Uncertainty on the strength of the recovery - related to the evolution of the pandemic situation - and on the inflation trend remains a risk factor. In this context, the Government plans to use a large part of the room for manoeuvre deriving from the improvement in the trend framework for new expansionary measures that will be defined in the next Budget Law. In particular, the aim of the reform is to reduce the tax burden on the factors of production, rationalise and simplify the tax system, preserve its progressiveness and combat tax evasion and avoidance.

3. Significant events during the period

The significant events occurred during the period are reported below:

- on 10 April 2021, the "Tesmec S.p.A. 6% 2014-2021" bond loan was repaid for the entire amount of Euro 15 million;

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

- on 22 April 2021, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2020 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2020 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement. The Shareholders' Meeting also approved the resolutions regarding the report on the remuneration policy and remuneration paid pursuant to article 123-ter of Italian Legislative Decree no. 58/1998 and article 84-quater of Consob Regulation no. 11971/1999 and authorised the purchase and disposal of treasury shares;

- on 31 May 2021, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, communicated the Company's "B1.2" solicited rating. 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 1 June 2021, the subsidiary Tesmec Automation S.r.l. signed a framework agreement with Terna Rete Italia S.p.A. for a total of Euro 12 million (Euro 8 million plus Euro 4 million in options), which will become binding upon the positive outcome of the examination of the prototype. The Contract refers to the supply of AT station automation systems on SAS (ASAT-3) platform.

- on 24 June 2021, the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia LLC, a company already operating in the trenchers rental business. The effects and methods of the acquisition were described in the next paragraph *4.1 Effects of the acquisition of 49% of the capital of Tesmec Saudi Arabia LLC*.

- on 20 July 2021, the parent company Tesmec S.p.A. signed a loan agreement with Intesa San Paolo S.p.A. of Euro 5 million. This loan has a duration of 6 years and expires on 30 June 2027. The floating interest rate was changed to fixed with an IRS contract signed on 20 July 2021 and is equal to 1.32%;

- on 29 July 2021, the parent company Tesmec S.p.A. signed a syndicated loan agreement of Euro 20 million with three banks: CdP (Cassa Depositi e Prestiti S.p.A.), Finlombarda S.p.A. and Banca del Mezzogiorno - Mediocredito Centrale S.p.A. This loan has a duration of 5 years, expiring on 2 August 2026, and bears a fixed annual interest rate of 2.75%, with a pre-amortisation period of one year.

3.1 Effects of the acquisition of 49% of the capital of Tesmec Saudi Arabia LLC

As described above, on 24 June 2021 the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia LLC for a price of Euro 2,019 thousand, the remaining 51% was acquired by a third-party local operator, the company SAS Machineries. The purpose of the transaction is to directly oversee the area and increase Tesmec's presence in the Middle Eastern market.

The equity investment in Tesmec Saudi Arabia LLC is an equity investment in an associated company and is therefore recognised in the financial statements in accordance with the equity method. The differential arising between the shareholders' equity of the associated company and the acquisition price amounts to Euro 2,462 thousand and is provisionally allocated to Goodwill, which remains implicitly recorded in the value of the equity investment. Any adjustments arising from the completion of the purchase price allocation will be included in the Tesmec Group's consolidated financial statements as soon as this process is completed within 12 months of the acquisition date, as permitted by IFRS 3.

The assets and liabilities of Tesmec Saudi Arabia, measured at fair value, are broken down below:

(Euro in thousands)	Values of the acquired company
NON-CURRENT ASSETS	
Property, plant and equipment	3,262
TOTAL NON-CURRENT ASSETS	**3,262**
CURRENT ASSETS	
Inventories	1,812
Trade receivables	1,228
Other current assets	98
Cash and cash equivalents	170
TOTAL CURRENT ASSETS	**3,308**
TOTAL ASSETS	**6,570**
SHAREHOLDERS' EQUITY	
Share capital	45
Reserves / (deficit)	(950)
TOTAL SHAREHOLDERS' EQUITY	**(905)**
NON-CURRENT LIABILITIES	
Employee benefit liability	101
TOTAL NON-CURRENT LIABILITIES	**101**
CURRENT LIABILITIES	
Interest-bearing financial payables (current portion)	2,006
Trade payables	5,368
TOTAL CURRENT LIABILITIES	**7,374**
TOTAL LIABILITIES	**6,570**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,570**

The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities measured at fair value on the basis of the provisional data available at the date of acquisition was recognised as follows:

(Euro in thousands)	Goodwill calculation
Total consideration of the acquisition	2,019
Acquired shareholders' equity	(443)
Goodwill	**2,462**

This Goodwill is still included in the value of the equity investment in Tesmec Saudi Arabia, measured in the financial statements using the equity method, and will be subject to impairment testing for the purpose of preparing the financial statements as at 31 December 2021.

4. Activity, reference market and operating performance for the first nine months of 2021

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 2021. The following table shows the Group's major economic and financial indicators as at September 2021 compared with the same period of 2020 and with 31 December 2020.

OVERVIEW OF RESULTS

30 September 2020	**Key income statement data** (Euro in millions)	30 September 2021
116.8	Operating Revenues	144.2
15.7	EBITDA	21.2
0.2	Operating Income	4.8
(4.8)	Group Net Profit	2.0
909	Number of employees	945

31 December 2020	**Key financial position data** (Euro in millions)	30 September 2021
173.8	Net Invested Capital	189.6
69.4	Shareholders' Equity	73.1
104.4	Group net financial indebtedness	116.5
105.0	ESMA Net financial indebtedness	116.9
36.9	Investments in property, plant and equipment, intangible assets and rights of use	12.0

4.1 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.
- Group net financial indebtedness: this is a good indicator of the Tesmec Group's financial structure. It is calculated as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities (including right-of-use liabilities) and fair value of hedging instruments.
- Net financial indebtedness pursuant to ESMA 32-382-1138 communication: it corresponds to the Group's net financial indebtedness as defined above and also includes trade payables and other non-current payables, which have a significant implicit or explicit financing component (e.g. trade payables with a maturity of more than 12 months), and any other non-interest-bearing loans (as defined in the "Guidelines on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 with the "ESMA32- 382-1138" document and incorporated by CONSOB in its communication 5/21 of 29 April 2021).

5. Income statement

5.1 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 September 2021 with those as at 30 September 2020.

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

	As at 30 September			
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**
Revenues from sales and services	**144,184**	**100.0%**	**116,832**	**100.0%**
Cost of raw materials and consumables	(58,116)	-40.3%	(49,816)	-42.6%
Costs for services	(26,412)	-18.3%	(20,992)	-18.0%
Payroll costs	(41,405)	-28.7%	(35,328)	-30.2%
Other operating (costs)/revenues, net	(2,720)	-1.9%	495	0.4%
Amortisation and depreciation	(16,335)	-11.3%	(15,518)	-13.3%
Development costs capitalised	5,393	3.7%	4,175	3.6%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	252	0.2%	319	0.3%
Total operating costs	**(139,343)**	**-96.6%**	**(116,665)**	**-99.9%**
Operating income	**4,841**	**3.4%**	**167**	**0.1%**
Financial expenses	(8,148)	-5.7%	(7,751)	-6.6%
Financial income	6,535	4.5%	1,125	1.0%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(6)	0.0%	18	0.0%
Pre-tax profit/(loss)	**3,222**	**2.2%**	**(6,441)**	**-5.5%**
Income tax	(1,167)	-0.8%	1,648	1.4%
Profit/(loss) for the period	**2,055**	**1.4%**	**(4,793)**	**-4.1%**
Profit/(loss) attributable to non-controlling interests	15	0.0%	14	0.0%
Group profit/(loss)	**2,040**	**1.4%**	**(4,807)**	**-4.1%**

Revenues

Total revenues as at 30 September 2021, compared to the corresponding period of the previous year, recorded an increase of 23.4%.

	As at 30 September				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Sales of products	91,569	63.51%	87,417	74.82%	4,152
Services rendered	38,970	27.03%	27,382	23.44%	11,588
Changes in work in progress	13,645	9.46%	2,033	1.74%	11,612
Total revenues from sales and services	**144,184**	**100.00%**	**116,832**	**100.00%**	**27,352**

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 75.2% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, compared with the first nine months of 2021 and the first nine months of 2020, which indicates the growth of the BRIC and Others market, partially balanced by the downtrends recorded in the North and Central American 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.

(Euro in thousands)	As at 30 September			
	2021	2020	2021 vs 2020	% change
Italy	35,726	21,769	13,957	64.1%
Europe	37,943	35,972	1,971	5.5%
Middle East	11,507	5,520	5,987	108.5%
Africa	8,307	8,096	211	2.6%
North and Central America	21,708	27,498	(5,790)	-21.1%
BRIC and Others	28,993	17,977	11,016	61.3%
Total revenues	**144,184**	**116,832**	**27,352**	**23.4%**

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation amounted to Euro 123,008 thousand and increased by 21.6% compared to the previous year as a percentage lower than the increase in revenues.

(Euro in thousands)	As at 30 September			
	2021	2020	2021 vs 2020	% change
Cost of raw materials and consumables	(58,116)	(49,816)	(8,300)	16.7%
Costs for services	(26,412)	(20,992)	(5,420)	25.8%
Payroll costs	(41,405)	(35,328)	(6,077)	17.2%
Other operating (costs)/revenues, net	(2,720)	495	(3,215)	-649.5%
Development costs capitalised	5,393	4,175	1,218	29.2%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	252	319	(67)	-21.0%
Operating costs net of depreciation and amortisation	**(123,008)**	**(101,147)**	**(21,861)**	**21.6%**

EBITDA

In terms of margins, EBITDA amounted to Euro 21,176 thousand, improving compared to what was recorded in the first nine months of 2020 when it was equal to Euro 15,685 thousand.

A restatement of the income statement figures representing the performance of EBITDA is provided below:

(Euro in thousands)	As at 30 September				
	2021	% of revenues	2020	% of revenues	2021 vs 2020
Operating income	4,841	3.4%	167	0.1%	4,674
+ Amortisation and depreciation	16,335	11.3%	15,518	13.3%	817
EBITDA	**21,176**	**14.7%**	**15,685**	**13.4%**	**5,491**

Financial Management

(Euro in thousands)	As at 30 September			
	2021	2020	2021 vs 2020	% change
Net financial income/expenses	(3,576)	(3,690)	114	-3.09%
Foreign exchange gains/losses	1,948	(2,777)	4,725	-170.15%
Fair value adjustment of derivative instruments on exchange rates	15	(159)	174	-109.43%

Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(6)	18	(24)	-133.33%
Total net financial income/expenses	**(1,619)**	**(6,608)**	**4,989**	**-75.5%**

The net financial management increased compared to the same period in the previous financial year by Euro 4,989 thousand, with the following changes reported:

- improvement of Euro 4,725 thousand generated by the divergent trend in the exchange rates in the two reference periods, which resulted in recognising net profit totalling Euro 1,948 thousand (realised of Euro -157 thousand and unrealised of Euro 2,105 thousand) in the first nine months of 2021 against net profit of Euro 2,777 thousand in the first nine months of 2020;
- improvement by Euro 114 thousand of net financial income/expenses deriving from lower interest expense on medium/long-term loans of Euro 137 thousand.

5.2 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 September 2021 compared to those as at 30 September 2020, broken down into three operating segments.

	As at 30 September				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Energy	36,495	25.3%	29,187	25.0%	7,308
Trencher	84,908	58.9%	66,217	56.7%	18,691
Rail	22,781	15.8%	21,428	18.3%	1,353
Total Revenues	**144,184**	**100.0%**	**116,832**	**100.0%**	**27,352**

In the first nine months of 2021, the Group consolidated revenues of Euro 144,184 thousand, with an increase of Euro 27,352 thousand (equal to 23.4%) compared to Euro 116,832 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, substantially brings revenues back to pre-COVID levels with a better margin due to the actions taken as from the 2020 financial year and the integration process of the 4service Group.

In detail, the turnover of the Trencher segment as at 30 September 2021 amounted to Euro 84,908 thousand, up by 28.2% compared to the figure of Euro 66,217 thousand as at 30 September 2020, albeit impacted by delays due to the critical issues on the supply chain and performance in the USA where the Group has not yet fully grasped the market opportunities and for which new organisational initiatives have consequently been undertaken with the appointment of a new Country Manager. Growth was recorded mainly in the renewable energy and telecom sectors, with an increase in the share of sustainable turnover.

With reference to the Energy segment, revenues were Euro 36,495 thousand, with an increase of 25.0% compared to Euro 29.187 thousand as at 30 September 2020. In particular, the Energy-Automation segment achieved revenues of Euro 12,194 thousand, compared to Euro 8,297 thousand as at 30 September 2020. This sector also shows a recovery driven by growth in investment.

The Rail segment recorded revenues of Euro 22,781 thousand, slightly up compared to the corresponding period of the previous year, when they amounted to Euro 21,428 thousand. This sector was the least affected in the previous financial year by the lockdown period; however, revenues were affected by the delayed start-up of new Projects that impact the short term and not the medium-long term outlook.

EBITDA by segment

The tables below show the income statement figures as at 30 September 2021 compared to those as at 30 September 2020, broken down into three operating segments:

E-MARKET SDIR CERTIFIED

	As at 30 September				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Energy	6,624	18.2%	3,750	12.8%	2,874
Trencher	10,419	12.3%	8,888	13.4%	1,531
Rail	4,133	18.1%	3,047	14.2%	1,086
EBITDA	**21,176**	**14.7%**	**15,685**	**13.4%**	**5,491**

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

- Energy: EBITDA increased from Euro 3,750 thousand as at 30 September 2020 to Euro 6,624 thousand as at 30 September 2021 thanks to the positive contribution of the Energy-Automation segment;
- Trencher: the improvement of the EBITDA from Euro 8,888 thousand in the first nine months of 2020 to Euro 10,419 thousand in 2021 is due to the recovery of full operations in the sector as described in the previous paragraph and the positive contribution of the service and rental activities despite the fact that the sector discounts one in percentage terms the performance in Australia under expectations due to the prolonged lock down;
- Rail: EBITDA increased from Euro 3,047 thousand in the first nine months of 2020 to Euro 4,133 thousand in 2021, thanks to a different production mix.

6. Summary of balance sheet figures as at 30 September 2021

Information is provided below on the Group's main equity indicators as at 30 September 2021 compared to 31 December 2020. In particular, the following table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 September 2021 and as at 31 December 2020:

(Euro in thousands)	**As at 30 September 2021**	**As at 31 December 2020**
USES		
Net working capital	79,580	64,256
Fixed assets	98,653	99,530
Other long-term assets and liabilities	11,390	10,032
Net invested capital	**189,623**	**173,818**
SOURCES		
Net financial indebtedness	116,535	104,370
Shareholders' equity	73,088	69,448
Total sources of funding	**189,623**	**173,818**

A) Net working capital

The table below shows a breakdown of “Net Working Capital” as at 30 September 2021 and 31 December 2020:

(Euro in thousands)	**As at 30 September 2021**	**As at 31 December 2020**
Trade receivables	63,362	60,415
Work in progress contracts	16,283	11,216
Inventories	81,780	74,386
Trade payables	(58,297)	(61,385)
Other current assets/(liabilities)	(23,548)	(20,376)
Net working capital	**79,580**	**64,256**

Net working capital amounted to Euro 79,580 thousand, marking an increase of Euro 15,324 thousand (equal to 23.8%) compared to 31 December 2020. This trend is mainly due to the increase in the item "Inventories" of Euro 7,394 thousand (equal to 9.9%), which reflects both a greater use of supplies essential to meet the turnover expected in the last quarter of the year and a general increase in the prices of raw materials and components.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 September 2021 and 31 December 2020:

(Euro in thousands)	**As at 30 September 2021**	**As at 31 December 2020**
Intangible assets	23,091	22,487
Property, plant and equipment	47,743	49,831
Rights of use	21,181	22,825
Equity investments in associates	6,635	4,384
Other equity investments	3	3
Fixed assets	**98,653**	**99,530**

Total *fixed assets* recorded a net decrease of Euro 877 thousand compared to 31 December 2020 mainly due to the disposal of some trenchers in the fleet no longer intended for rental activities partially offset by the increase in the item "Equity investments in associates" of Euro 2,251 thousand due to the acquisition of 49% of the share capital of Tesmec Saudi Arabia LLC for Euro 2,462 thousand.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 September 2021 and 31 December 2020:

(Euro in thousands)	**As at 30 September 2021**	***of which with related parties and group***	**As at 31 December 2020**	***of which with related parties and group***
Cash and cash equivalents	(48,509)		(70,426)	
Current financial assets	(17,398)	*(6,132)*	(13,777)	*(3,691)*
Current financial liabilities	56,554	*2,495*	85,799	*2,788*
Current financial liabilities from rights of use	5,560		5,218	
Current portion of derivative financial instruments	-		1	
Current financial indebtedness	**(3,793)**	***(3,637)***	**6,815**	***(903)***
Non-current financial liabilities	103,754	*3,263*	80,530	*3,263*
Non-current financial liabilities from rights of use	16,419		16,855	
Non-current portion of derivative financial instruments	155		170	
Trade payables and other payables (non-current)	375		625	
Non-current financial indebtedness	**120,703**	**3,263**	**98,180**	**3,263**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**116,910**	***(374)***	**104,995**	***2,360***
Trade payables and other payables (non-current)	(375)		(625)	
Group net financial indebtedness	**116,535**	***(374)***	**104,370**	***2,360***

In the first nine months of 2021, the Group's net financial indebtedness increased by Euro 12,165 thousand compared to the figure at the end of 2020, to service the increase in net working capital. The financial indebtedness prior to the application of IFRS 16, as at 30 September 2021, amounts to Euro 94,556 thousand.

The table below shows the breakdown of the changes:

- decrease in current financial indebtedness of Euro 10,608 thousand due to the:

- decrease in cash and cash equivalents and current financial assets of Euro 18,296 thousand following the repayment of the "Tesmec S.p.A. 6% 2014-2021" bond for the entire amount of Euro 15 million;
- decrease in current financial liabilities of Euro 29,245 thousand mainly due to the restatement to non-current financial liabilities of the portions classified as current at the end of 2020 due to failure to comply with certain financial parameters;

▪ increase in non-current financial indebtedness of Euro 22,523 thousand relating to new loans taken out in the first nine months of the year and to the reclassification in the long term of the portions classified in the short term at the end of 2020, following the actual application of waivers.

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 only covenant calculated on a half-yearly basis on the local financial statements of the subsidiary Tesmec USA Inc. vis-à-vis the Comerica Credit Institute was not met; therefore, the residual medium/long-term portion was reclassified as short-term for Euro 1,832 thousand.

With regard to the recent ESMA 32-382-1138 guidelines, which required the disclosure within the Net Financial Indebtedness of trade payables and other non-current payables that have a significant implicit or explicit financing component and any other non-interest-bearing loans, the amount of Euro 375 thousand corresponds to the consideration still to be paid for the lease of the AMG business unit started in 2019.
With regard to reverse factoring, the Group assesses, for each supplier, the deferral conditions obtained from financial counterparties on these liabilities and, depending on the substance of the liabilities, records them as trade payables or reclassifies them as financial payables. This assessment is required to understand the substance of the deferral agreements and necessarily involves a subjective assessment of the elements to be considered for the purposes of whether or not the corresponding payable is included in the Group's financial liabilities.

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, 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.
For significant intercompany 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 nine months of 2021, including the employees of companies that are fully consolidated, is 945 persons compared to 909 in the first nine months of 2020.

10. Other information

Events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- on 22 October 2021, the parent company Tesmec S.p.A. announced that, compared to the guidance for the year 2021, last communicated to the market on August 5, related to the expected consolidated turnover of approximately Euro 220 million, the Group now expects a revised turnover of more than Euro 200 million, but lower than the previous guidance. The change is attributable to the Group's performance in the US market, with respect to which a positive growth outlook is confirmed for 2022. Precisely in order to seize the growing opportunities in the sectors of reference in the USA, on 4 October 2021, Tesmec appointed a new Country Manager, who will also serve as CEO of the American subsidiary Tesmec USA Inc.

Business outlook

In relation to the slowdown of operations in the U.S. market, Tesmec has revised its closing estimates for the 2021 financial period, confirming revenues over Euro 200 million, EBITDA above 15% and Net Financial Indebtedness below Euro 110 million.

The change in the year-end outlook is attributable to the gap generated in the US market in the various reference businesses, in particular the Trencher segment, amounting to approximately Euro 20 million, which led to a correction of the previous estimate of Euro 220 million. In terms of margins, the lag in revenues and the performance in Australia lead to a revision of the EBITDA estimate to the aforementioned percentages compared to the previous estimate of over 16%. In terms of Net Financial Indebtedness, Tesmec expects to mitigate and reverse the change in working capital, which increased due to exogenous factors linked to the trend in the supplies and rental market. This reduction will have a positive impact on the Net Financial Indebtedness that is expected to improve, also thanks to the expected installments in the railway sector, compared to the end of the period at 30 September 2021, reaching a value lower than Euro 110 million, but not in line with the previous estimate which forecast a reduction compared to the end of the 2020 period.

The Group, despite the delays in terms of revenues and margins in the current financial period, confirms its expenditure guidelines for the 2020_2023 Plan. In fact, Tesmec is active 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 concentrated in strategic sectors that are extremely lively and have significant growth prospects. Huge investments are planned in the Trencher segment to strengthen and digitalize telecommunications networks 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, as well as for the maintenance of lines with the aim of ensuring the safety of rail transport. In the Energy segment, the transition to renewable energy sources is confirmed, with consequent updated of the power grids due to this trend.

The effects of these investments, both in terms of the general macroeconomic recovery and in terms of their impact on the Group's activities and volumes, will be all the more evident the faster the government authorities define and assign the actions linked to the so-called Recovery Fund made available by the institutions of the European Union.

The priority of the Group remains the reduction of debt, bringing it to the levels defined by the Plan. Eventual investments must be compatible with this target.

CONSOLIDATED FINANCIAL STATEMENTS

(Not audited by the Independent Auditors)

Consolidated statement of financial position as at 30 September 2021 and as at 31 December 2020

(Euro in thousands)	30 September 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible assets	23,091	22,487
Property, plant and equipment	47,743	49,831
Rights of use	21,181	22,825
Equity investments in associates evaluated using the equity method	6,635	4,384
Other equity investments	3	3
Financial receivables and other non-current financial assets	4,812	5,196
Derivative financial instruments	1	1
Deferred tax assets	17,042	16,446
Non-current trade receivables	2,551	1,302
TOTAL NON-CURRENT ASSETS	**123,059**	**122,475**
CURRENT ASSETS		
Work in progress contracts	16,283	11,216
Inventories	81,780	74,386
Trade receivables	63,362	60,415
of which with related parties:	*7,085*	*1,590*
Tax receivables	1,492	1,444
Other available-for-sale securities	1	1
Financial receivables and other current financial assets	17,397	13,776
of which with related parties:	*6,132*	*3,691*
Other current assets	10,587	8,810
Cash and cash equivalents	48,509	70,426
TOTAL CURRENT ASSETS	**239,411**	**240,474**
TOTAL ASSETS	**362,470**	**362,949**
SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
Share capital	15,702	15,702
Reserves / (deficit)	55,268	60,513
Group net profit / (loss)	2,040	(6,828)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**73,010**	**69,387**
Capital and reserves / (deficit) attributable to non-controlling interests	63	44
Net profit / (loss) for the period attributable to non-controlling interests	15	17
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**78**	**61**
TOTAL SHAREHOLDERS' EQUITY	**73,088**	**69,448**
NON-CURRENT LIABILITIES		
Medium/long-term loans	98,791	74,336
of which with related parties:	*3,263*	*3,263*
Bond issue	4,963	6,194
Non-current financial liabilities from rights of use	16,419	16,855
Derivative financial instruments	155	170
Employee benefit liability	4,570	4,660
Deferred tax liabilities	8,071	7,628

Other long-term liabilities	375	625
TOTAL NON-CURRENT LIABILITIES	**133,344**	**110,468**
CURRENT LIABILITIES		
Interest-bearing financial payables (current portion)	54,094	68,362
of which with related parties:	*2,495*	*2,788*
Bond issue	2,460	17,437
Current financial liabilities from rights of use	5,560	5,218
Derivative financial instruments	-	1
Trade payables	58,297	61,385
of which with related parties:	*1,684*	*1,465*
Advances from customers	9,238	3,185
Income taxes payable	1,292	626
Provisions for risks and charges	3,248	2,968
Other current liabilities	21,849	23,851
TOTAL CURRENT LIABILITIES	**156,038**	**183,033**
TOTAL LIABILITIES	**289,382**	**293,501**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**362,470**	**362,949**

Consolidated income statement as at 30 September 2021 and 30 September 2020

	As at 30 September	
(Euro in thousands)	**2021**	**2020**
Revenues from sales and services	**144,184**	**116,832**
of which with related parties:	*9,739*	*5,894*
Cost of raw materials and consumables	(58,116)	(49,816)
of which with related parties:	*(56)*	*(12)*
Costs for services	(26,412)	(20,992)
of which with related parties:	*(26,412)*	*(52)*
Payroll costs	(41,405)	(35,328)
Other operating (costs)/revenues, net	(2,720)	495
of which with related parties:	*139*	*(530)*
Amortisation and depreciation	(16,335)	(15,518)
Development costs capitalised	5,393	4,175
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	252	319
Total operating costs	**(139,343)**	**(116,665)**
Operating income	**4,841**	**167**
Financial expenses	(8,148)	(7,751)
of which with related parties:	*(40)*	*(371)*
Financial income	6,535	1,125
of which with related parties:	*60*	*72*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(6)	18
Pre-tax profit/(loss)	**3,222**	**(6,441)**
Income tax	(1,167)	1,648
Net profit/(loss) for the period	**2,055**	**(4,793)**
Profit/(loss) attributable to non-controlling interests	**15**	**14**
Group profit/(loss)	**2,040**	**(4,807)**
Basic and diluted earnings/(losses) per share	**0.0034**	**(0.045)**

Consolidated statement of comprehensive income as at 30 September 2021 and 30 September 2020

	As at 30 September	
(Euro in thousands)	**2021**	**2020**
NET PROFIT/(LOSS) FOR THE PERIOD	**2,055**	**(4,793)**
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	1,719	(2,172)
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	171	-
Income tax	(42)	-
	129	-
Total other income/(losses) after tax	**1,848**	**(2,172)**
Total comprehensive income (loss) after tax	**3,903**	**(6,965)**
Attributable to:		
Shareholders of Parent Company	3,886	(4,856)
Non-controlling interests	17	4

Statement of consolidated cash flows as at 30 September 2021 and 30 September 2020

	As at 30 September	
(Euro in thousands)	**2021**	**2020**
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) for the period	2,055	(4,793)
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:		
Amortisation and depreciation	16,335	15,518
Provisions for employee benefit liability	67	-
Provisions for risks and charges / inventory obsolescence / doubtful accounts	938	1,396
Employee benefit payments	(157)	124
Payments of provisions for risks and charges	(161)	(410)
Net change in deferred tax assets and liabilities	(123)	(1,810)
Change in fair value of financial instruments	(16)	159
Change in current assets and liabilities:		
Trade receivables	390	7,433
of which with related parties:	*(5,495)*	*2,663*
Inventories	(11,406)	(10,679)
Trade payables	(3,198)	(2,108)
of which with related parties:	*219*	*(916)*
Other current assets and liabilities	(3,421)	(3,744)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	**1,303**	**1,086**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(10,865)	(4,627)
Investments in intangible assets	(6,968)	(7,760)
Investments in Rights of use	(3,484)	(2,925)
(Investments) / disposals of financial assets	(2,407)	(2,440)
of which with related parties:	*(2,441)*	*151*
Change in the consolidation area	(2,462)	(23,590)
Proceeds from sale of property, plant and equipment and rights of use	9,342	8,703
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(16,844)**	**(32,639)**
NET CASH FLOW FROM FINANCING ACTIVITIES		
Disbursement of medium/long-term loans	27,530	58,535
of which with related parties:	-	*4,263*
Recognition of financial liabilities from rights of use	4,933	8,049
Repayment of medium/long-term loans	(26,735)	(5,022)
Repayment of financial liabilities from rights of use	(5,029)	(4,467)
Net change in short-term financial debt	(7,145)	(3,579)
of which with related parties:	*(293)*	*5,987*
Paid increase of capital	-	9,400
Other changes	(132)	-
NET CASH FLOW GENERATED BY / (USED IN) FINANCING ACTIVITIES (C)	**(6,578)**	**62,916**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)	**(22,119)**	**31,363**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)	202	(412)
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)	**48,509**	**48,886**
Additional information:		
Interest paid	3,254	3,913
Income tax paid	971	1,093

Statement of changes in consolidated shareholders’ equity as at 30 September 2021 and 30 September 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	-	-	-	-	1,717	129	2,040	3,886	17	3,903
Other changes	-	-	-	-	-	(263)	-	(263)		(263)
Allocation of profit for the period	-	-	-	-	-	(6,828)	6,828	-	-	-
Balance as at 30 September 2021	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,526**	**12,727**	**2,040**	**73,010**	**78**	**73,088**

(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	-	-	-	-	(2,162)	-	(4,807)	(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**

Explanatory notes

Accounting policies adopted in preparing the interim consolidated report on operations as at 30 September 2021

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 2021 was prepared in condensed form. Since the interim consolidated report on operations does not disclose all the information required in preparing the consolidated annual financial statements or interim financial statements in accordance with IAS 34, it must be read together with the consolidated financial statements as at 31 December 2020.

The accounting standards adopted in preparing this interim consolidated report on operations as at 30 September 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 interim consolidated report on operations as at 30 September 2021 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. Comparative figures are disclosed (31 December 2020 for the statement of financial position and the third quarter of 2020 for the consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement).

More precisely, the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity and the consolidated 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 2020.

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 Euro, except where specifically indicated.

Disclosure of the interim consolidated report on operations of the Tesmec Group for the period ended 30 September 2021 was authorised by the Board of Directors on 5 November 2021.

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	
	2021	2020	2021	2020
US Dollar	1.196	1.125	1.158	1.171
Russian Rouble	88.534	79.960	84.339	91.776
South African Rand	17.423	18.809	17.563	19.709

Renminbi	7.738	7.866	7.485	7.972
Qatari Riyal	4.354	4.095	4.215	4.262
Algerian Dinar	160.224	141.524	158.747	151.305
Tunisian Dinar	3.295	3.179	3.267	3.237
Australian Dollar	1.577	1.663	1.610	1.644
New Zealand Dollar	1.682	1.762	1.686	1.780
Saudi Riyal	4.486	4.219	4.342	4.391
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	11,802.972	10,671.76	11,237.184	11,404.46

3. Consolidation methods and area

As at 30 September 2021, the consolidation area changed compared to that as at 31 December 2020:

- on 24 June 2021, the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia, a company operating in the trenchers rental business, for a total consideration of Euro 2,019 thousand. The effects of the acquisition were described in the previous paragraph *4.1 Effects of the acquisition of 49% of the capital of Tesmec Saudi Arabia LLC* described in the report on operations;
- on 3 September 2021, the subsidiary East Trenchers S.r.l. acquired 36.91% of the share capital of the Innova 70 Consorzio Stabile consortium based in Milan;
- on 14 October 2021, Tesmec Maroc SARL was established as a wholly-owned subsidiary of Groupe Marais SAS. The company is based in Casablanca (Morocco) and will be active in the marketing and rental business for the trencher sector.

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

The accounting standards adopted for the preparation of the Interim consolidated report on operations are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2020, with the exception of the adoption as of 1 January 2021 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 amendments are applied for the first time in 2021 but have no impact on the Group's interim condensed consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments include the temporary easing of the requirements with respect to the effects on the financial statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative rate that is essentially risk-free (Risk Free Rate - RFR):

The amendments include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a change in an interest rate in the market;
- Allow the changes required by the IBOR reform to be made within the scope of the hedging designation and documentation without the hedging relationship having to be discontinued;
- Provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments have no impact on the interim financial statements of the Group. The Group intends to use these practical expedients in future periods when they will be applicable.

Change in depreciation criteria
Starting from 1 January 2021, the Group adopted a new method of determining the depreciation of trencher machines in the fleet. Based on technical analyses carried out by the company's engineers, and confirmed by an external opinion, a period of 8 years was identified as the best representation of the average useful life of these machines, therefore, the new depreciation rate of 12.5% on an annual basis is in force. This new method represents a change in estimates and is therefore applied prospectively.

5. 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 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.

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							
	2021				2020			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	36,495	84,908	22,781	144,184	29,187	66,217	21,428	116,832
Operating costs net of depreciation and amortisation	(29,871)	(74,489)	(18,648)	(123,008)	(25,437)	(57,329)	(18,381)	(101,147)
EBITDA	**6,624**	**10,419**	**4,133**	**21,176**	**3,750**	**8,888**	**3,047**	**15,685**
Amortisation and depreciation	(4,162)	(9,374)	(2,799)	(16,335)	(4,275)	(8,731)	(2,512)	(15,518)
Total operating costs	**(34,033)**	**(83,863)**	**(21,447)**	**(139,343)**	**(29,712)**	**(66,060)**	**(20,893)**	**(116,665)**
Operating income	**2,462**	**1,045**	**1,334**	**4,841**	**(525)**	**157**	**535**	**167**
Net financial income/(expenses)				(1,619)				(6,608)
Pre-tax profit/(loss)				**3,222**				**(6,441)**
Income tax				(1,167)				1,648
Net profit/(loss) for the period				**2,055**				**(4,793)**
Profit/(loss) attributable to non-controlling interests				15				14
Group profit/(loss)				**2,040**				**(4,807)**

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 2021 and as at 31 December 2020:

	As at 30 September 2021					As at 31 December 2020				
(Euro in thousands)	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	10,516	5,874	6,701	-	23,091	9,748	5,287	7,452	-	22,487
Property, plant and equipment	2,997	36,650	8,096	-	47,743	2,756	39,474	7,601	-	49,831
Rights of use	875	19,719	587	-	21,181	760	21,351	714	-	22,825
Financial assets	3,363	3,399	1,926	2,763	11,451	3,523	965	1,925	3,171	9,584
Other non-current assets	1,777	6,904	305	10,607	19,593	1,736	7,197	841	7,974	17,748
Total non-current assets	**19,528**	**72,546**	**17,615**	**13,370**	**123,059**	**18,523**	**74,274**	**18,533**	**11,145**	**122,475**
Work in progress contracts	1,403	-	14,880	-	16,283	-	-	11,216	-	11,216
Inventories	19,560	56,307	5,913	-	81,780	18,316	50,030	6,040	-	74,386
Trade receivables	9,643	42,448	11,271	-	63,362	9,330	38,400	12,685	-	60,415
Other current assets	2,576	5,896	6,307	14,698	29,477	1,825	5,052	6,164	10,990	24,031
Cash and cash equivalents	3,990	7,715	8,178	28,626	48,509	3,565	7,145	7,721	51,995	70,426
Total current assets	**37,172**	**112,366**	**46,549**	**43,324**	**239,411**	**33,036**	**100,627**	**43,826**	**62,985**	**240,474**
Total assets	**56,700**	**184,912**	**64,164**	**56,694**	**362,470**	**51,559**	**174,901**	**62,359**	**74,130**	**362,949**
Shareholders' equity attributable to parent company shareholders	-	-	-	**73,010**	**73,010**	-	-	-	**69,387**	**69,387**
Shareholders' equity attributable to non-controlling interests	-	-	-	**78**	**78**	-	-	-	**61**	**61**
Non-current liabilities	**3,251**	**18,591**	**9,337**	**102,165**	**133,344**	**1,760**	**17,725**	**8,468**	**82,515**	**110,468**
Current financial liabilities	2,376	3,728	8,772	41,678	56,554	3,788	6,255	9,616	66,141	85,800
Current financial liabilities from rights of use	282	2,802	80	2,396	5,560	242	2,129	83	2,764	5,218
Trade payables	9,695	40,427	8,113	62	58,297	19,124	29,666	12,595	-	61,385
Other current liabilities	2,956	9,044	11,023	12,604	35,627	1,590	7,812	13,358	7,870	30,630
Total current liabilities	**15,309**	**56,001**	**27,988**	**56,740**	**156,038**	**24,744**	**45,862**	**35,652**	**76,775**	**183,033**
Total liabilities	**18,560**	**74,592**	**37,325**	**158,905**	**289,382**	**26,504**	**63,587**	**44,120**	**159,290**	**293,501**
Total shareholders' equity and liabilities	**18,560**	**74,592**	**37,325**	**231,993**	**362,470**	**26,504**	**63,587**	**44,120**	**228,738**	**362,949**

20. Related party transactions

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

	Half-year ended 30 September 2021					Half-year ended 30 September 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.	140	-	-	-	-	(237)	-	-	-	-
Subtotal	**140**	**-**	**-**	**-**	**-**	**(237)**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	6,088	-	-	114	9	5,188	-	(2)	132	10

Tesmec Saudi Arabia	1,500	-	-	-	-	-	-	-	-	-
Tesmec Peninsula	263	(55)	-	-	39	92	-	-	-	38
Subtotal	**7,851**	**(55)**	**-**	**114**	**48**	**5,280**	**-**	**(2)**	**132**	**48**
Related parties:										
Ambrosio S.r.l.	-	-	-	(1)	-	-	-	-	(2)	(3)
TTC S.r.l.	-	-	(23)	-	-	-	-	(51)	-	-
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	(3)	-	-
Dream Immobiliare S.r.l.	-	-	-	(12)	(4)	-	-	-	-	(272)
FI.IND	-	-	-	29	-	-	-	-	52	(8)
M.T.S. Officine meccaniche S.p.A.	1,610	(1)	(1)	9	(3)	851	(12)	4	(712)	-
ICS Tech. S.r.l.	109	-	-	-	-	-	-	-	-	-
COMATEL	29	-	-	-	-	-	-	-	-	-
Triskell Conseil Partner	-	-	(169)	-	-	-	-	-	-	-
RX S.r.l.	-	-	-	-	(21)	-	-	-	-	(64)
Subtotal	**1,748**	**(1)**	**(193)**	**25**	**(28)**	**851**	**(12)**	**(50)**	**(662)**	**(347)**
Total	**9,739**	**(56)**	**(193)**	**139**	**20**	**5,894**	**(12)**	**(52)**	**(530)**	**(299)**

	30 September 2021					31 December 2020				
(Euro in thousands)	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables
Associates:										
Locavert S.A.	95	-	-	-	-	27	-	-	-	-
R&E Contracting	-	-	-	-	-	-	-	-	-	-
Subtotal	**95**	**-**	**-**	**-**	**-**	**27**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	3,985	1,202	-	-	-	1,345	933	-	-	25
Tesmec Peninsula	17	1,999	-	1,013	59	12	1,887	-	1,214	-
Tesmec Saudi Arabia	2,227	2,059	-	-	-	-	-	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**6,229**	**6,054**	**-**	**1,013**	**59**	**1,357**	**3,614**	**-**	**1,214**	**25**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	35	-	-	-	-	22
Dream Immobiliare S.r.l.	-	78	-	-	1,400	-	77	-	-	1,240
Fi.ind.	29	-	-	-	-	25	-	-	-	11
TTC S.r.l.	-	-	-	-	16	-	-	-	-	16
M.T.S. Officine meccaniche S.p.A.	593	-	3,050	43	2	181	-	3,050	43	59
ICS Tech. S.r.l.	133	-	-	-	-	-	-	-	-	-
COMATEL	6	-	-	-	-	-	-	-	-	-
Triskell Conseil Partner	-	-	-	-	56	-	-	-	-	-
RX S.r.l.	-	-	213	1,439	116	-	-	213	1,531	92
Subtotal	**761**	**78**	**3,263**	**1,482**	**1,625**	**206**	**77**	**3,263**	**1,574**	**1,440**
Total	**7,085**	**6,132**	**3,263**	**2,495**	**1,684**	**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 adopted to prepare the Interim consolidated report on operations as at 30 September 2021.

2. We also certify that:

2.1 the Interim consolidated report on operations as at 30 September 2021:

   - corresponds to the amounts shown in the Company's accounts, books and records;
   - gives a 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, 5 November 2021

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

ATTRACTIVE TECHNOLOGIES

Tesmec S.p.A.

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