ANNUAL FINANCIAL REPORT 2023

TESMEC

draw the way forward

Investor Relator
Fjorela Puce
Tel: +39.035.4232840 - Fax: +39.035.3844606
email: ir@tesmec.com

Tesmec S.p.A.
Registered Office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 31 December 2023 Euro 15,702,162
Milan Register of Companies no. 1360673
Tax and VAT code: 10227100152

Website: www.tesmec.com
Switchboard: +39.035.4232911

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COMPOSITION OF THE CORPORATE BODIES

Board of Directors
(in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2024)

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 (*)
	Antongiulio Marti
	Nicola Iorio

(*) 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 2024)

Chairman	Simone Cavalli
Statutory auditors	Attilio Massimo Franco Marcozzi
	Laura Braga
Alternate auditors	Alice Galimberti
	Maurizio Parni

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 2024)

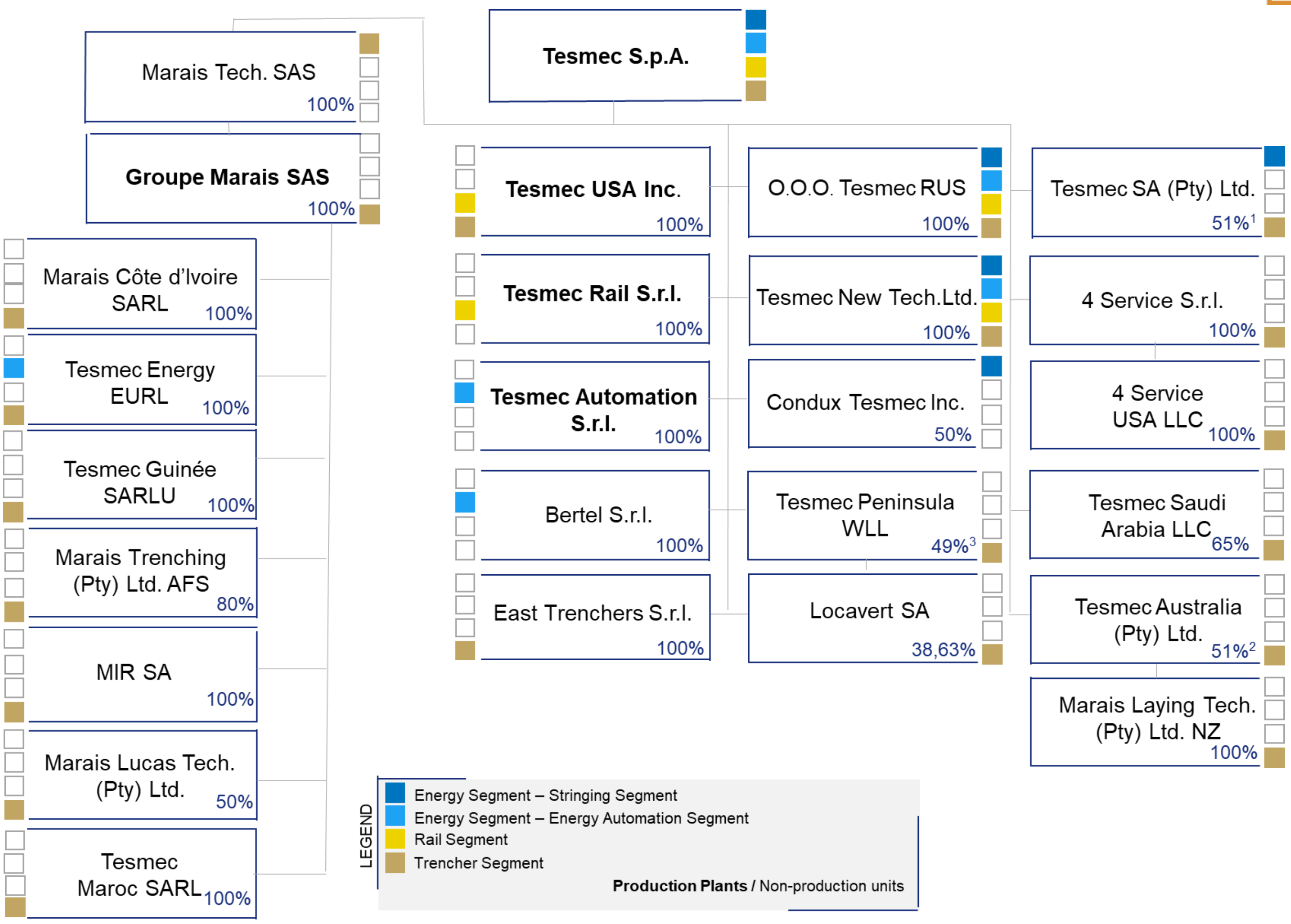
Chairperson	Emanuela Teresa Basso Petrino
Members	Simone Andrea Crolla
	Guido Luigi Traversa

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 2024)

Chairperson	Emanuela Teresa Basso Petrino
Members	Antongiulio Marti
	Simone Andrea Crolla

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

GROUP STRUCTURE



(1) 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.

(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 Australia (Pty) Ltd. is consolidated on a 100% basis.

(3) The remaining 51% is held by Fusion Middle East Services WLL. By virtue of de facto control for accounting purposes, the equity investment in Tesmec Peninsula WLL is consolidated at 99%.

HIGHLIGHTS

Economic performance (Euro in millions)	2023	2022
Revenues	251.9	245.2
EBITDA	34.0	36.1
EBIT	11.1	14.1
Net result	(3.0)	7.9
Economic value generated	268.2	265.1
Economic value distributed	271.4	257.0

Financial performance (Euro in millions)	2023	2022
Net Invested Capital	231.7	211.7
Net Financial Indebtedness	153.5	128.4
Shareholders' Equity	78.2	83.4

Environment	2023	2022
Total energy consumption - GJoule	104,222	101,233
Energy intensity (GJ consumption/hours worked x 1,000)	56.74	61.82
Total direct (Scope 1 GHG) and indirect (Scope 2 GHG market-based) emissions/t CO2e	8,009	6,957
Sustainability Policy; Health, Safety and Environmental Policy		

Human Resources	2023	2022
Number of employees as at 31 December	1,026	965
Gender diversity - female gender share (% of total employees)	15.6%	14.9%
Training – average hours of training per employee	8.6	8.2
Health and safety - Accident frequency rate (No. of accidents/hours worked x 1,000,000)	12.98	13.61
Female presence on the BoD	40%	40%

Quality & supply chain	2023	2022
Suppliers selected on environmental criteria	5.47%	2.21%
Products Carbon Footprint ISO 14067(*)	61	58
Supplier Code of Ethics; Management, Quality, Environment and Safety System		

(*) ISO achived by Tesmec S.p.A. and Tesmec Automation S.r.l.

Governance
Code of Ethics; Anti-Corruption Policy; Whistle-blowing Policy; Policy on diversity relating to the formation of the administration and control bodies of Tesmec S.p.A.; Policy for managing dialogue with all the shareholders; Organisation, management and control Model pursuant to Italian Legislative Decree no. 231/2001; Charity Policy

REPORT ON OPERATIONS

Letter to Stakeholders

This paragraph is part of the Non-financial Statement.

GRI Standards	2-22

Dear Stakeholders,

I am pleased to present the new edition of the Annual Financial Report of the Tesmec Group, an information document on management performance, integrated with the Consolidated Non-financial Statement, which summarises Tesmec's commitments, activities and impacts in the area of sustainability.

During 2023, the Group worked on strategic, technological, production and commercial development programmes, achieving significant growth in the first part of the year, but slowing down in the last part of the year due to effects of a contingent nature for which the Company has taken the appropriate governance measures to overcome them. These measures are accompanied by other measures carried out in 2023, such as the successful start of the transformation phase of the Grassobbio production site into a technological, production and global hub, with the subsequent concentration of the production of the stringing equipment sector in this site in order to ensure continuity of production, the opening of a railway maintenance operating unit in Mantua with important overall management efficiencies.
In addition to the measures mentioned above, the company is currently analysing further measures, the benefits of which will be seen together from 2024 onwards. Management is also focused on increasing profitability, reducing debt and improving governance through the launch of specific management, industrial and strategic initiatives.

Leveraging its order backlog, Tesmec is committed to expanding market opportunities, optimising its operations and strengthening its global presence.

Our order backlog, which is an important indicator of short- and medium-term business opportunities, remained above Euro 400 million also as at 31 December 2023, confirming the record levels reached in 2022; it is mainly concentrated in the Energy and Rail sectors, while the Stringing equipment and Trencher segments, by their nature, have an order collection profile oriented towards shorter time horizons. The Group is also diversifying its activities geographically and is working with determination on a concrete action plan to address the challenging macroeconomic context, particularly in the Middle East.

Despite the difficulties posed by a complex international context, strong geopolitical instability and an unprecedented energy scenario, Tesmec has reaffirmed its commitment to promoting increasingly sustainable development.

Contributing to sustainable development through our business activities is something we have always believed in. In the year just ended, we continued to pursue economic goals integrated with environmental, social and governance objectives.

To this end, the Group contributed to the pursuit of the Sustainable Development Goals (SDGs) set out in the Agenda 2030 action programme adopted by the United Nations in 2015, and has formulated a sustainability approach that integrates the various environmental, social and governance issues into its business activities in order to provide the market with increasingly "green & digital" technological solutions, in a logic of innovation and strategic partnerships, considering the ESG aspects in business processes thanks to synergies between the various operational areas.

When we talk about the future, sustainability and digital innovation are the two elements that stand out most as a winning combination of technological development and respect for the ESG paradigm.

The Group also promotes the sharing and observance of sustainable business principles throughout its supply chain, as it believes in the synergy between doing business, respect for the environment and social responsibility. Working with partners who share our commitment and conviction to the path of sustainable development enables us to achieve one of the company's most strategic objectives: a responsible supply chain built on stable and lasting relationships based on respect, transparency and integrity. In this context, Tesmec has adopted the Supplier Code of Ethics, which sets out the principles for responsible procurement that are shared with the Group's suppliers.

As part of our commitment to social responsibility, we have invested time and ideas in creating shared values, continuing to raise awareness of sustainability issues and providing space for information and training initiatives for all Group companies.

Tesmec considers its people to be its greatest asset and is committed to providing a safe, positive and rewarding working environment in which people can develop their talents and grow professionally.

We firmly believe that the defence and appreciation of human rights is an indispensable prerequisite for entering into any economic and commercial relationship. With the aim of supporting and promoting respect for inviolable human rights, Tesmec has adopted the Human Rights Policy and undertakes to guarantee all its stakeholders professional relations based on respect for the fundamental guarantees recognised to all human beings by national and supranational laws.

Social responsibility does not end within the corporate structure, but continues through concrete actions in the local communities in which the various Group companies operate.

In 2023, the Group's contribution to the sustainable development of the territory was reflected in the implementation and support of several corporate volunteering projects throughout Italy. Social responsibility projects proposing activities for the benefit of "Neet" (Not [engaged] in Education, Employment or Training), combating marginality, poverty and social hardship and supporting gender equality.

Business ethics, fairness and transparency are core values and are embodied in Tesmec's corporate governance.

The results achieved so far confirm the importance of embarking on a process of digitisation and sustainability, and of increasingly integrating it into the way we do business. These results provide a strong foundation on which to continue working to create long-term value for all our stakeholders. With this in mind, the Group has developed a materiality analysis process involving multiple categories of stakeholders to share and establish material topics for strategic development and performance reporting.

Sustainability is, and will increasingly be, a key driver of the company's strategic decisions. It represents a firm commitment in which we are determined to invest in the horizon of our new growth objectives.

Finally, we would like to thank you, our stakeholders, for your continued support and confidence. We are grateful for the opportunity to continue to grow in the energy infrastructure market and are committed to working together to create a sustainable future for all.

The Chief Executive Officer

Ambrogio Caccia Dominioni

Guide to the document

This Annual Financial Report consists of:

- Report on Operations, which contains the information required by Article 2428 of the Italian Civil Code together with the information required by the applicable regulations, and the Consolidated Non-Financial Statement (NFS) prepared pursuant to Italian Legislative Decree no. 254 of 30 December 2016.
- Consolidated Financial Statements of the Tesmec Group: consolidated financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and Cash flow statement) and the explanatory notes to the financial statements;
- Financial statements of the parent Tesmec S.p.A., which include the separate financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and Cash flow statement) and the explanatory notes to the financial statements.

The Report on Operations provides information on the results and performance of the Tesmec Group and the parent company Tesmec S.p.A., as well as on significant events during 2023.

The NFS was prepared in accordance with the methodologies and principles set out in the GRI Sustainability Reporting Standards (In accordance option), as defined by the Global Reporting Initiative (GRI Standards).

The consolidated financial statements of the Tesmec Group and the financial statements of Tesmec S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission.

The preparation of an Report on Operations requires a consistent and comprehensive approach to corporate reporting, which, by recognising the strategic relevance of sustainability topics (ESG Environmental - Social - Governance), enables the overall quality of the information published and disseminated to be improved for the benefit of all stakeholders. This approach was significantly confirmed and strengthened by the updated regulatory framework of the European Union and the EU Corporate Sustainability Reporting Directive (CSRD) no. 2022/2464, which was adopted by the European Parliament in November 2022 and will apply from the next 2024 financial year.

Directive no. 2022/2464 requires, among other things, that the sustainability report be included in a separate section of the Report on Operations. According to Directive (EU) no. 2022/2464, the Report on Operations must contain the information necessary to understand the company's impact on sustainability issues and how sustainability issues affect the company's performance, results and position.

1 The Tesmec Group

The Parent Company Tesmec S.p.A. (hereinafter "Parent Company" or "Tesmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA (screen-based share market) STAR Segment of the Milan Stock Exchange. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.
The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power, 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 1,000 employees and has production plants located in Grassobbio (Bergamo), Sirone (Lecco) and Monopoli (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. Furthermore, after the reorganisation of the Automation segment, 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, Côte d'Ivoire and Saudi Arabia.

Through the different types of products, the Group is able to offer:

1.1 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).

1.2 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);
- The Trencher segment also includes the excavation services for power lines and fibre optic cables that constitute the core business of Marais Group.

1.3 Rail segment

- Works vehicles and integrated solutions for the installation, renewal and maintenance of the railway catenary wire system.
- Vehicles and diagnostic systems for rail infrastructure diagnostics.

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 Reference context

2.1 Strategic and economic/financial framework of the Tesmec Group as at 31 December 2023

A. Tesmec in 2023

During 2023, Tesmec worked on the implementation of its strategic, technological, production and commercial development programmes. In this context, the Group experienced a growth of Revenues accelerating in June, which continued in the third quarter and then slowed down towards the end of the year, a period that was affected by contingent effects in some important markets and especially in the Trencher segment. This trend in sales led to the generation of revenues of Euro 251.9 million for 2023 as a whole, an overall increase of approximately 3% compared to 2022, albeit in a context penalised by the strengthening of the Euro, in particular against the US dollar and the Australian dollar, important currencies for the Tesmec Group (especially in terms of Revenues, with a lesser effect at the level of operating results), as well as by the aforementioned slowdown at the end of the year.

More precisely:
- Revenues in the Energy division grew by approximately 16,4% compared to 2022, driven by continued robust demand and the commercial success of products and technology solutions developed by the Tesmec Group; in this segment, Tesmec also had an order backlog of approximately Euro 120 million as at 31 December, of which over Euro 100 million related to the Energy Automation segment (with a multi-year duration confirming expectations of further growth in this segment in the medium term), while the remainder is related to the Energy Stringing segment (traditionally with a short/very short duration); with particular reference to the Energy Automation segment, it should also be noted that in 2023 an important customer postponed deliveries of products already held in stock by Tesmec until 2024;
- Revenues of the Trencher division were up by approximately 2.4%, despite a negative exchange rate effect of approximately one and a half percentage points on turnover (but marginal in terms of operating results) and the aforementioned slowdown in sales activity in the second half of the year. It should be noted that the Group recorded significant growth in the Middle East market in 2023 (especially in Saudi Arabia, a country with important multi-year civil construction programmes) and a significant recovery in the North American market, although in both cases at lower levels than expected; on the other hand, Revenues in the Oceania markets and the French market appear to be lower than in 2022, reducing the Division's overall growth rate, although they are expected to recover in 2024. The backlog of the Trencher division stood at Euro 71 million as at 31 December 2023, with a rich portfolio of opportunities that, together with the order backlog itself, support expectations of more robust growth in 2024;
- Revenues in the Rail division decreased by approximately 11.5%, following the gradual completion of older orders and a delay in obtaining new ones, but in a context of positive expectations for 2024, also in view of important investment programmes by major Italian and international players. At the end of 2023, the backlog of the Rail Division was approximately Euro 210 million, with a medium-term duration, which, together with the new order intake forecast, supports the expectation of a significant recovery in Revenues during the current financial year. It is noted that the Rail segment experienced significant growth in recent years, also thanks to the development of cutting-edge technologies developed by Tesmec, not only in the maintenance segment, but also in the strategic and high-tech rail diagnostics segment, which represents a powerful lever for Tesmec's future international development.

On the basis of the above, it should be noted that the total backlog, a key indicator of the Group's short and medium-term business opportunities, also remained above Euro 400 million as at 31 December 2023, confirming the record level achieved in 2022. The Group sees this backlog as a new starting point to achieve new and more ambitious goals.

In terms of operating results, consolidated EBITDA stood at Euro 34.0 million as at 31 December 2023, slightly lower than the Euro 36.1 million reported in 2022 (-5.9%), with a growth trend in the Trencher (which suffered from non-recurring expenses, especially in the Oceania markets) and Energy segments, which overall could not fully offset the downward trend in the Rail division. Symmetrically, the EBITDA margin for 2023 also decreased compared to 2022 from 14.7% to 13.5% of sales. The Group's management is paying particular attention to this reduction in the gross operating profitability of Revenues, which, as mentioned, is also due to non-recurring expenses: it has taken specific management, industrial and strategic measures to achieve a significant recovery in profitability, with significant returns expected as early as 2024. In this regard, initiatives have already been taken at the level of corporate governance and at the level of optimisation of the industrial set-up: with regard to the latter, the transformation of the Grassobbio production site into a technological, production and global hub, with the subsequent concentration of the production of the stringing equipment sector in this site in order to ensure continuity of production against the transfer of the activities of the Endino site, and the opening of a maintenance centre in Mantua for the Rail segment, which is expected to bring significant management efficiencies.

With reference to the trend in EBITDA at divisional level, it should be noted that:
- the Energy segment achieved an EBITDA of Euro 10.0 million (with an EBITDA margin of 14.7%), up 24,0% from Euro 8.0 million in 2022 (when the EBITDA margin was 13.8%). These increases in EBITDA and EBITDA margin, already visible in the figures as at 30 September, albeit at a lower level, were made possible (a) by the higher turnover for the year and the related, albeit not yet significant, effect in terms of operating leverage resulting from the concentration of production at the Grassobbio site, (b) by an improved sales mix in both the Stringing equipment and Automation segments, also related to efficiency measures at the supply chain level, and (c) an increasing contribution from the JV Condux Tesmec, which operates in the stringing equipment segment in the United States;
- the Trencher segment generated an EBITDA of Euro 15.4 million (with an EBITDA margin of 11.3%), up 12.6% from Euro 13.7 million in 2022 (when the EBITDA margin was 10.2%). These improvements in EBITDA and EBITDA margin came about due to a significant improvement in the sales mix, which more than offset (a) non-recurring expenses mainly related to extra costs in the Oceania markets, estimated at approximately Euro 3 million and subject to specific management and corporate governance corrective actions and (b) the organisational strengthening of the sales and business development structures (especially in the United States and, due to changes in the scope of consolidation, in Saudi Arabia and Qatar);
- the Rail segment had an EBITDA of Euro 8.6 million (with an EBITDA margin of 18.3%), down 5.8 million from Euro 14.4 million in 2022 (when the EBITDA margin was 27.1%). These reductions in EBITDA and EBITDA margin, already visible in the figures as at 30 September, are mainly due to a different order mix, which is expected to improve starting in the coming quarters, when an increasing contribution from recently acquired and newly acquired orders is expected, especially in the strategic segment of diagnostic vehicles.

With reference to operating results, EBIT in 2023 stood at Euro 11.1 million, down from Euro 14.1 million in 2022, a reduction that was affected not only by the recurring and non-recurring effects already mentioned when commenting on EBITDA, but also by higher depreciation and amortisation for the period.

If, on the one hand, the operating results were not far from the record level of 2022, despite the lower than expected level of turnover due to the above-mentioned contingencies and non-recurring negative income components, on the other hand, the pre-tax profit/(loss) was affected by a strong increase in financial components, both in terms of financial expenses and exchange rate changes. In fact, net interest increased from Euro 6.6 million in 2022 to Euro 13.3 million in 2023, with the increase due to the higher cost of money resulting from the base rate increases by the ECB, together with a higher level of Net Financial Position, also coupled with a still high level of inventories. In 2023, largely unrealised negative exchange rate was changes of Euro -2.3 million were recorded, compared to an income of Euro 4.2 million in 2022, with a decreasing effect of Euro 6.6 million compared to the previous year.

As a direct consequence, in particular of the increased weight of the financial components, the Net result for 2023 was therefore a loss of Euro 2.7 million, compared to a gross profit of Euro 7.9 million in 2022, with a particularly negative performance in the fourth quarter, both compared to 2022 and to expectations.

With reference to the figures of the statement of financial position as at 31 December 2023, there were still significant values of inventories and work in progress to support the current and future growth of the business, which, together with the changes occurred in the other asset items, resulted in levels of invested capital and, symmetrically, of net financial position, slightly higher than those already shown as at 30 September and in any case up on both 2022 and forecasts. In this regard, management confirms its expectation on a gradual replenishment of stock levels in 2024, in terms of a reduction in material inventories (thanks to expected sales in the year, with repurchases at lower levels than consumption), and of SAL levels (thanks to the achievement of invoicing milestones for work orders related to the Rail - which in 2023 suffered delays in the issue of certifications for the release of milestones for collection purposes - and Energy Automation segments).

More specifically, as at 31 December 2023:
- Net invested capital amounted to Euro 231.7 million, substantially in line with the amount reached as at 30 September and therefore up by Euro 20.0 million compared to the balance as at 31 December 2022;
- Net working capital was Euro 86.8 million, down from 30 September but up by Euro 6.2 million compared to 31 December 2022;
- Fixed Assets and Other medium to long-term assets and liabilities amounted to Euro 144.9 million, an increase compared to both 30 September and 2022, when they stood at Euro 131.2 million.

Symmetrically, the Net Financial Position as at 31 December 2023 was Euro 153.5 million, including an amount of Euro 39.2 million related to the application of IFRS 16, slightly higher than the Euro 149.0 million as at 30 September and up by Euro 25.1 million compared to 2022. With reference to this, however, it should be noted that in the fourth quarter of 2023, the group entered into leasing operations for part of its fleet, in particular used vehicles, which significantly changed the composition of the Net financial position. More specifically, in terms of free cash flow, during the 12 months of 2023, Tesmec generated:

- an increase in financial items related to IFRS 16 of approximately Euro 15.2 million;
- a negative free cash flow for changes in working capital of Euro 6.2 million;
- a negative free cash flow excluding changes in working capital of Euro 3.8 million;

for a total NFP change in balance of 25.1 million, as mentioned.

With reference to Tesmec's financial structure, the Net Financial Position as at 31 December 2023 consists of:

- Euro 86.8 million of Operating Debt, entirely against the Consolidated Working Capital and, as already commented, with an inventory of Euro 139.9 million;
- Euro 39.2 million, the portion of which was due to IFRS 16 accounting standards, largely against leasing contracts for part of the Group's trenching machine fleet;
- Euro 27.5 million of Industrial Debt.

Moreover, it should be noted that:

- the duration of the Net Financial Position, which includes medium/long-term payables of approximately Euro 92 million, together with lease contracts of Euro 39.2 million, appears more than adequate compared to the duration of the Assets, whose portion of Fixed Assets and other medium/long-term Net Assets not covered by Shareholders' Equity amounts to approximately Euro 66.7 million;
- As at 31 December 2023, the Group's liquidity stood at Euro 53.7 million, an increase of approximately Euro 18.3 million compared to last 30 September and of Euro 2.7 million compared to 31 December 2022, capable of guaranteeing, together with (i) the cash generation expected in 2024, and with (ii) the ordinary business of negotiating and obtaining medium and long-term credit lines to partially replace those expiring, financial continuity over the next 12 months and the implementation of the development programmes underway.

B. Outlook for 2024

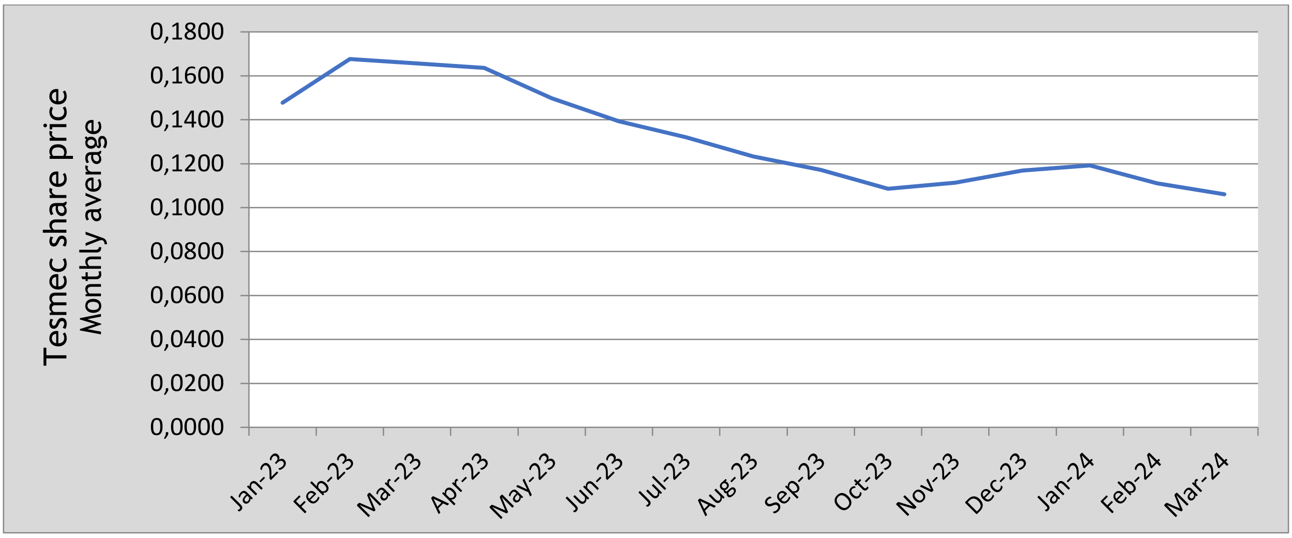
In 2023, Tesmec diversified its activities geographically and by segment, continuing to invest in strategic markets and businesses that are extremely dynamic and have growth prospects, providing solutions for the digitalisation and implementation of telecommunications networks and the development of the mining segment. In the Trencher segment, government measures are driving investment in infrastructure, including power networks and Fibre to the Home projects. In the Rail segment, investments to reduce congestion of road vehicles, increase sustainable mobility and for diagnostics and maintenance of lines with the aim of ensuring the safety of rail transport, will increasingly be an important driver of future growth. In the Energy segment, the increasing transition to the use of renewable energy sources is confirmed, with the consequent power lines being adapted to the new requirements.
With reference to 2024, the Tesmec Group expects revenues to grow by more than 10% compared to 2023, with an improving EBITDA margin and a decreasing Net Financial Position compared to 31 December 2023. This expectation is based on overcoming the contingencies that particularly affected the last quarter of 2023, accompanied by management actions aimed at a significant recovery in profitability and, in particular, a reduction in working capital.

§ § §

Finally, it should be noted that some of the loan agreements of the Parent Company Tesmec SpA and its wholly-owned companies Tesmec Rail SRL and Tesmec Automation SRL require compliance as at 31 December with specific financial parameters to be calculated on consolidated data and relating to the ratio (a) of Net financial indebtedness to Shareholders' Equity and (b) of Net financial indebtedness to EBITDA, covenants that were met as at 31 December 2023.

2.2 Tesmec on the Stock Exchange Market

As at 31 December 2023, the reference price of the Tesmec share was equal to Euro 0.1180 per share while market capitalisation as at 31 December 2023 amounted to Euro 71.56 million. At the date of this report, the reference price is Euro 0.1062 per share, and the capitalisation is approximately Euro 64.41 million. The following chart shows the listing price trend of the shares of the Parent Company from 1 January 2023 to March 2024: Note that the book value of the consolidated shareholders' equity of Euro 78.2 million as at 31 December 2023 was higher than the market capitalisation at the same date, which continued to decrease in the following months. Although this trend is believed to be related to the volatility of market prices, the Directors considered this circumstance to be a "trigger event" requiring the impairment testing of non-current assets in accordance with IAS 36, as further shown in the explanatory notes to the consolidated financial statements.



Reference price as at 31 December 2023	0.1180
Reference price as at 08 March 2024	0.1062
Maximum Price (8 February 2023) (1)	0.1848
Minimum Price (26 October 2023) (1)	0.1032

(1) Intended as minimum and maximum prices recorded during the negotiations of the day, hence not coinciding with the official and reference prices at the same date

2.3. Significant events occurred in the period and change in the corporate structure

The significant events occurred during the period are reported below:

- on 20 April 2023, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2022 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2022 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement;

- on 2 May 2023, the Group unveiled its new corporate identity with a new logo to better reflect the Group's mission based on technological innovation and sustainability.
  A development that underlines the long history of growth of the Group - founded in the fifties as C.R.F. - Officina Meccanica di Precisione S.p.A., a company specialised in high-precision machining of mechanical parts - and today a true tech company, a leader in innovability, i.e. in projects that combine innovation and sustainability. Therefore, the new Corporate Identity is a further step along this process and is intended to provide a clear and unambiguous identification tool for all Group companies, through a single logo representing all Business Units and subsidiaries that also strengthens the internal sense of belonging;

- on 6 May 2023, the subsidiary Tesmec Rail S.r.l. announced the start of works for the industrial and organisational strengthening of the Monopoli hub to respond to a constantly growing market. Thanks to this new project, the Tesmec Group will have a positive impact on the territory in terms of increased qualified employment, development of advanced technological skills, and strengthening of the local supply-side industries;

- on 29 May 2023, the Group announced, through its subsidiary Tesmec Rail and the Škoda Group, one of Europe's leading manufacturers of components such as electric driving systems and electric motors as well as public transport vehicles, the signing of a technology cooperation agreement in the field of railway works vehicles and diagnostic vehicles to develop high-performance and sustainable products with world-leading technology in the rail market.
  Tesmec's development strategy is increasingly driven by sustainable innovation with a focus on electrification of works vehicles to minimise environmental impact and on diagnostics & digitalisation to increase predictive maintenance and safety of railway lines;

- on 11 October 2023, Tesmec Rail obtained the Marketing authorisation for the new integrated diagnostic vehicle OCPD002-E from ANSFISA (Agenzia Nazionale per la Sicurezza delle Ferrovie e delle Infrastrutture Stradali e Autostradali - National Agency for Rail, Road and Motorway Infrastructure Safety), which is a very important milestone as it puts the vehicle on a par with the most modern passenger trains and allows it to run in line open to traffic on every stretch of the national network;

- on 6 November 2023, the Board of Directors appointed Fjorela Puce as the Company's Investor Relations Manager to replace Marco Paredi, who will focus on his role as Director of the Trencher Business Unit;

- in December 2023, the parent company Tesmec S.p.A. bought back the 33.96% stake in Marais Technologies SAS held by Simest S.p.A. Following this buyback, the equity investment is wholly owned by Tesmec S.p.A.;

- starting from December 2023, the parent company Tesmec S.p.A. began the transfer activities, in continuity of production, of the production of the stringing segment from the Endine Gaiano plant, whose rental contract had come to an end, to the Grassobbio production site. Significant gains in terms of efficiency are expected from this activity, which is part of the broader transformation of the Grassobbio production site into a technological, production and global hub.

3 Group economic and financial results and performance

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 2023. The following table shows a summary of the profit and loss indicators achieved in 2023 and in 2022 and the main financial position indicators as at 31 December 2023 and as at 31 December 2022.

	OVERVIEW OF RESULTS	
31 December 2022 Reclassified	**Key income statement data** (Euro in millions)	**31 December 2023**
245.2	Operating Revenues	251.9
36.1	EBITDA	34.0
14.1	Operating Income	11.1
7.9	Group Net Profit	(3.0)
965	Number of employees	1,027
31 December 2022	**Key financial position data** (Euro in millions)	**31 December 2023**
211.7	Net Invested Capital	231.7
83.4	Shareholders' Equity	78.2
128.4	Group net financial indebtedness	153.5
31.9	Net investments in property, plant and equipment, intangible assets and rights of use	31.2

3.1 Restatement of data relating to the previous year

As better explained in paragraph *3.5 3.5 Discretionary evaluation and significant accounting estimates* of the Explanatory Notes to the Consolidated Financial Statements, starting from financial year 2023 the Group reports among financial charges the costs incurred with credit institutions for the issue of guarantees necessary for the execution of multi-year job contracts, previously shown as costs for services, believing that this classification allows for a better representation of the economic substance of the case which is constituted by the financial commitment incurred by the Group for the completion of ongoing job orders.
This reclassification resulted, for the 2023 financial year, in lower operating costs of Euro 1,226 thousand and corresponding higher financial charges, and a decrease of approximately 4% in the ratio between Net Financial Position / EBITDA, the parameter being measured, also taking into account what above, for the purposes of financial covenants.
In order to allow better comparability of the financial statement data, in this file the data referring to the previous financial year (2022) have been reclassified, in which these costs were equal to Euro 944 thousand.

3.2 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 statement of financial position.
- 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 statement of financial position.
- 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 "ESMA 32-382-1138" document and incorporated by CONSOB in its communication 5/21 of 29 April 2021).

3.3 Management performance of the main subsidiary companies and Joint Ventures

The information on the operations of the main subsidiaries and joint ventures 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:

Main subsidiaries:

- 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 segment. During the 2023 financial year, it generated revenues of Euro 39,893 thousand. The presence in the United States is completed through the subsidiary 4 Service USA, Inc., also based in Alvarado (Texas) and operating in the trencher rental business together with 4 Service S.r.l., a wholly-owned subsidiary of Tesmec S.p.A., based in Milan. During 2023, the two trencher rental companies generated revenue to third parties of Euro 18,134 thousand.

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., with registered office in Monopoli (BA), operates in the Rail sector. During the 2023 financial year, it recorded revenues of Euro 47,245 thousand.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), is 51% owned by Tesmec S.p.A. and 49% owned by Simest S.p.A. (with option to repurchase this interest for Tesmec S.p.A.). During the financial year, the company generated revenues of Euro 3,408 thousand.

- Groupe Marais SAS, with registered office in Durtal (France), indirectly controlled by Tesmec S.p.A., through the holding company Marais Technologies SAS, company 100% owned by Tesmec S.p.A. The French company is a leader in the construction of machines for infrastructures and in services for telecommunications, electricity and gas. During the 2023 financial year, it recorded revenues of Euro 29,929 thousand.

- Marais Laying Tech. (Pty) Ltd. based in Auckland (New Zealand), company 100% owned by Tesmec Australia (Pty) Ltd. specialised in the business of rental and sale of trenchers in the Oceanic market. During the 2023 financial year, it recorded revenues of Euro 5,423 thousand.

- Tesmec Automation S.r.l., a company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG), specialised in the design and sale of integrated fault detectors and measurement sensors and devices for medium voltage power lines. During the 2023 financial year, it recorded revenues of Euro 24,772 thousand.

- Tesmec Peninsula WLL, a de facto subsidiary (pursuant to the IFRS 10 standards) of Tesmec S.p.A. as from 1 December 2022, based in Doha (Qatar), is active in the business of renting and selling trenchers in the Middle Eastern market. The company has been consolidated on a line-by-line basis and during the 2023 financial year generated revenues totalling Euro 11,784 thousand;

- Tesmec Saudi Arabia LLC, a 65% owned subsidiary of Tesmec S.p.A. based in Ryad (Saudi Arabia) since 8 September 2022, is active in the business of renting and selling trenchers in the market of the Arabian Peninsula. The company has been consolidated on a line-by-line basis as from the date of control, while until that date it was consolidated using the equity method. In 2023, it generated revenues totalling Euro 12,743 thousand.

Joint Ventures

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by American shareholder Condux, 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 during the 2023 financial year generated revenues totalling Euro 17,628 thousand.

3.4 Consolidated income statement

The Group closed the financial year as at 31 December 2023 with a positive operating income of Euro 11,062 thousand (Euro 13,119 thousand in 2022) and with a net loss of Euro 2,969 thousand compared to a net profit of Euro 7,862 thousand as at 31 December 2022. The following table shows the trend of major economic indicators as at 31 December 2023 compared to 31 December 2022.

	Financial year ended 31 December				
(Euro in thousands)	2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Revenues from sales and services	**251,917**	**100.0%**	**245,245**	**100.0%**	**6,672**
Cost of raw materials and consumables	(108,771)	-43.2%	(97,441)	-39.7%	(11,330)
Costs for services	(52,211)	-20.7%	(52,839)	-21.5%	628
Payroll costs	(63,330)	-25.1%	(60,701)	-24.8%	(2,629)
Other operating costs/revenues, net	(8,022)	-3.2%	(8,101)	-3.3%	79
Amortisation and depreciation	(22,953)	-9.1%	(22,085)	-9.0%	(868)
Development costs capitalised	13,491	5.4%	10,806	4.4%	2,685

Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	941	0.4%	(821)	-0.3%	1,762
Total operating costs	**(240,855)**	**-95.6%**	**(231,182)**	**-94.3%**	**(9,673)**
Operating income	**11,062**	**4.4%**	**14,063**	**5.7%**	**(3,001)**
Financial expenses	(14,659)	-5.8%	(8,883)	-3.6%	(5,776)
Financial income	1,325	0.5%	2,226	0.9%	(901)
Foreign exchange gains/losses	(2,313)	-0.9%	4,162	1.7%	(6,475)
Portion of losses/(gains) from the valuation of equity investments using the equity method	(8)	0.0%	44	0.0%	(52)
Pre-tax profit/(loss)	**(4,593)**	**-1.8%**	**11,612**	**4.7%**	**(16,205)**
Income tax	1,895	0.8%	(3,696)	-1.5%	5,591
Net profit/(loss) for the year	**(2,698)**	**-1.1%**	**7,916**	**3.2%**	**(10,614)**
Profit/(loss) attributable to non-controlling interests	271	0.1%	54	0.0%	217
Group profit/(loss)	**(2,969)**	**-1.2%**	**7,862**	**3.2%**	**(10,831)**

Revenues

Total revenues as at 31 December 2023 increased by 2.7% compared to those recorded in the previous financial year.

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Sales of products	196,066	77.8%	154,638	63.1%	41,428
Services rendered	49,410	19.6%	62,660	25.5%	(13,250)
Changes in work in progress	6,441	2.6%	27,947	11.4%	(21,506)
Total revenues from sales and services	**251,917**	**100.0%**	**245,245**	**100.0%**	**6,672**

Revenues by geographic area

The Group's turnover is mainly produced abroad (by 79,9%) and in particular in non-EU countries. The revenue analysis by area is indicated below, compared with the 2023 financial year and the 2022 financial year. It should be noted that the percentage drop in sales in Italy was due to the Trencher and Rail segments, for which the foreign component had a greater weight during the period.

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.

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Italy	50,594	20.1%	71,977	29.3%	(21,383)
Europe	67,004	26.6%	46,681	19.0%	20,323
Middle East	34,289	13.6%	29,507	12.0%	4,782
Africa	11,904	4.7%	12,431	5.1%	(527)
North and Central America	46,751	18.6%	39,645	16.2%	7,106
BRIC and Others	41,375	16.4%	45,004	18.4%	(3,629)
Total revenues	**251,917**	**100.0%**	**245,245**	**100.0%**	**6,672**

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 31 December 2023 increased by 4.2% compared to those recorded in the previous financial year.

(Euro in thousands)	Financial year ended 31 December 2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Cost of raw materials and consumables	(108,771)	-43.2%	(97,441)	-39.7%	(11,330)
Costs for services	(52,211)	-20.7%	(52,839)	-21.5%	628
Payroll costs	(63,330)	-25.1%	(60,701)	-24.8%	(2,629)
Other operating costs/revenues, net	(8,022)	-3.2%	(8,101)	-3.3%	79
Development costs capitalised	13,491	5.4%	10,806	4.4%	2,685
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	941	0.4%	(821)	-0.3%	1,762
Total operating costs net of depreciation and amortisation	**(217,902)**	**-86.5%**	**(209,097)**	**-85.3%**	**(8,805)**

The table shows an increase in operating costs of Euro 8,805 thousand (4.2%). This increase reflects:

- with regard to raw materials and consumables, the increase in sales, with different product mix;
- with regard to payroll costs, the impact of inflation, remuneration policy and increase in the workforce;
- with regard to increases in fixed assets, higher internal investments in research and development;
- with regard to results from Joint Ventures, the positive performance of the associate Condux Tesmec Inc.

EBITDA

As a result of the foregoing, EBITDA amounted to Euro 34,015 thousand, down by 5.9% compared to the previous year.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

(Euro in thousands)	Financial year ended 31 December 2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Operating income	11,062	4.4%	14,063	5.7%	(3,001)
+ Amortisation and depreciation	22,953	9.1%	22,085	9.0%	868
EBITDA	**34,015**	**13.5%**	**36,148**	**14.7%**	**(2,133)**

EBITDA amounted to Euro 34,015 thousand, down compared Euro 36.148 thousand,to the previous year, with a growth trend in the Trencher (which also suffered from non-recurring expenses) and Energy segments, which did not fully offset a decreasing trend in the Rail division.

Financial Management

(Euro in thousands)	Financial year ended 31 December 2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Net financial income/expenses	(12,916)	-5.1%	(7,499)	-3.1%	(5,417)
Foreign exchange gains/losses	(2,313)	-0.9%	4,162	1.7%	(6,475)
Fair value adjustment of financial instruments	(418)	-0.2%	842	0.3%	(1,260)
Portion of losses/(gains) from the valuation of equity investments using the equity method	(8)	0.0%	44	0.0%	(52)
Total net financial income/expenses	**(15,655)**	**-6.2%**	**(2,451)**	**-1.0%**	**(13,204)**

The net financial management result decreased compared to the same period in the previous financial year by a total of Euro 13,204 thousand, due to:

- a negative impact from higher exchange losses of Euro 6,475 thousand, resulting from the unfavourable trend of exchange rates as at 31 December 2023 compared to 31 December 2022, which resulted in net losses totalling Euro 2,313 thousand (largely unrealised) compared to net gains of Euro 4,162 thousand (also largely unrealised);

- worsening in the fair value adjustment of derivative financial instruments of Euro 1,260 thousand.

Net result

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Net profit/(loss)	**(2,698)**	-1.1%	**7,916**	3.2%	**(10,614)**
Profit/(loss) attributable to non-controlling interests	271	0.1%	54	0.0%	217
Group net profit/(net loss)	**(2,969)**	-1.2%	**7,862**	3.2%	**(10,831)**

Results for the period amounted to Euro -2,698 thousand (Euro 7,916 thousand in 2022) after deducting taxes totalling Euro +1,895 thousand (Euro 3,696 thousand in 2022).
Net of the portion attributable to non-controlling interests, the net result is Euro -2,969 thousand.

Profitability ratios

		Financial year ended 31 December	
Ratio	*Composition*	**2023**	**2022**
Return on sales (R.O.S.)	Operating income/Net revenues	4.4%	5.7%
Return on investment (R.O.I.)	Operating income/Invested capital	4.8%	6.6%
Return on equity (R.O.E.)	Net income/Shareholders' equity	-3.8%	9.4%
Invested capital turnover	Net revenues/Net invested capital	1.09	1.16
Working capital turnover	Net revenues/Net working capital	2.90	3.04
Debt ratio/EBITDA	Net financial position/EBITDA	4.51	3.55
Debt ratio	Net financial position/Shareholders' equity	1.96	1.54

The table above summarises the main trends that characterised the financial statements of the Group as at 31 December 2023 compared to 31 December 2022.

3.5 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 December 2023 compared to those as at 31 December 2022, broken down into the three operating segments.

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Energy	67,745	26.9%	58,195	23.7%	9,550
Trencher	137,285	54.5%	134,049	54.7%	3,236
Rail	46,887	18.6%	53,001	21.6%	(6,114)
Total revenues	**251,917**	**100.0%**	**245,245**	**100.0%**	**6,672**

In 2023, the Group achieved total revenues of Euro 251,917 thousand compared to Euro 245,245 thousand in 2022, recording an increase of 2.7%. This result is the combined effect of different trends in the three segments:

- Energy: with regard to the Energy segment, revenues amounted to Euro 67,745 thousand, increasing by 16.4% compared to the figure of Euro 58,195 thousand as at 31 December 2022. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 42,922 thousand, compared to Euro 37,783 thousand as at 31 December 2022 (+13.6%). The Energy-Automation segment achieved revenues of Euro 24,823 thousand, compared to Euro 20,412 thousand as at 31 December 2022.

- Trencher: revenues of the Trencher segment amounted to Euro 137,285 thousand, increasing by 2.4% compared to Euro 134,049 thousand as at 31 December 2022. This increase was impacted by both a negative exchange rate effect of approximately one and a half percentage points of sales and the aforementioned slowdown in sales activities in the second half of the year.

- Rail: the Rail segment recorded revenues of Euro 46,887 thousand, down 11.5% from Euro 53,001 thousand recorded as at 31 December 2022 due to the gradual completion of older work orders and a delay in obtaining new ones, but in a context of positive expectations for 2024.

Operating costs by segment

	Financial year ended 31 December				
(Euro in thousands)	2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Energy	62,697	92.5%	54,992	94.5%	7,705
Trencher	135,702	98.8%	133,608	99.7%	2,094
Rail	42,456	90.5%	42,582	80.3%	(126)
Total operating costs	**240,855**	**95.6%**	**231,182**	**94.3%**	**9,673**

Operating costs, depreciation and amortisation including, were up 4.2% compared to the prior period in a more than proportional way compared to the sales trend (2.7%).

The tables below show the EBITDA as at 31 December 2023 compared to that as at 31 December 2022, broken down into the three operating segments:

	Financial year ended 31 December				
(Euro in thousands)	2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Energy	9,967	14.7%	8,038	13.8%	1,929
Trencher	15,449	11.3%	13,724	10.2%	1,725
Rail	8,599	18.3%	14,386	27.1%	(5,787)
EBITDA	**34,015**	**13.5%**	**36,148**	**14.7%**	**(2,133)**

Margins decreased in absolute terms by Euro 2,133 thousand (from Euro 36,148 thousand in 2022 to Euro 34,015 thousand in 2023) in percentage terms from 14.7% in 2022 to 13.5% in 2023. This result is the combined effect of different trends in the three segments:

- the Energy segment reached an EBITDA of Euro 9,967 thousand (or 14.7% of sales), an increase of Euro 1,929 thousand compared to Euro 8,038 thousand in 2022. The segment's contribution improved due to the positive contribution from the Energy Stringing segment. Specifically, the Energy-Stringing segment reported an EBITDA of Euro 5,369 thousand, up Euro 1,113 thousand compared to Euro 4,256 thousand in 2022, while the Energy-Automation segment reported an EBITDA of Euro 4,598 thousand, up Euro 816 thousand compared to Euro 3,782 thousand in 2022;

- The Trencher segment generated an EBITDA of Euro 15,449 thousand (or 11.3% of Revenues), up Euro 1,725 thousand compared to Euro 13,724 thousand in 2022. This segment is positively impacted by an improved sales mix;

- the Rail segment had EBITDA of Euro 8,599 thousand (or 18.3% of Revenues), down Euro 5,787 thousand from Euro 14,386 thousand in 2022. These reductions in EBITDA and EBITDA margin, already evident in the data as at 30 September, were also due to a different work order mix, which is expected to improve in the coming quarters.

Operating Income

	Financial year ended 31 December				
(Euro in thousands)	2023	% of revenues	2022 reclassified	% of revenues	2023 vs 2022
Stringing Equipment	5,048	7.5%	3,203	5.5%	1,845

Trencher	1,583	1.2%	441	0.3%	1,142
Rail	4,431	9.5%	10,419	19.7%	(5,988)
Total operating income	**11,062**	**4.4%**	**14,063**	**5.7%**	**(3,001)**

The operating income as at 31 December 2023 stood at Euro 11,062 thousand (4.4% of revenues) down compared to Euro 14,063 thousand (5.7% of revenues) achieved as at 31 December 2022.

3.6 Balance sheet and financial profile

The financial position of the Group as at 31 December 2023 compared to 31 December 2022 is briefly shown in the table below.

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
USES		
Net working capital	86,835	80,631
Fixed assets	119,622	111,658
Other long-term assets and liabilities	25,284	19,452
Net invested capital	**231,741**	**211,741**
SOURCES		
Group net financial indebtedness	153,497	128,364
Shareholders' equity	78,244	83,377
Total sources of funding	**231,741**	**211,741**

A) Net working capital

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Trade receivables	45,643	56,229
Work in progress contracts	29,247	24,973
Inventories	110,621	101,411
Trade payables	(82,842)	(74,178)
Other current assets/(liabilities)	(15,834)	(27,804)
Net working capital	**86,835**	**80,631**

Net working capital of Euro 86,835 thousand increased by Euro 6,204 thousand compared to 31 December 2022. This trend is mainly due to the increase in the item "Inventories" of Euro 9,210 thousand (equal to 9.1%), which reflects both a greater use of supplies to support the current and future growth of the business.

B) Fixed assets

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Intangible assets	39,348	32,293
Property, plant and equipment	45,081	51,759
Rights of use	28,868	21,939
Equity investments in associates	6,285	5,639
Other equity investments	40	28
Fixed assets	**119,622**	**111,658**

Total *fixed assets* recorded a net increase of Euro 7,964 thousand compared to 31 December 2022 mainly due to the increase in “Intangible assets” of Euro 7,055 thousand.

C) Other medium to long-term assets and liabilities

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Financial receivables and other non-current financial assets	11,993	11,302
Non-current trade receivables	2,575	1,754
Other non-current assets	717	1,204
Deferred tax assets	21,939	16,349
Employee benefit liability	(4,110)	(3,958)
Deferred tax liabilities	(7,830)	(7,199)
Other long-term assets and liabilities	**25,284**	**19,452**

Medium to long-term assets and liabilities increased by Euro 5,832 thousand from Euro 19,452 thousand as at 31 December 2022 to Euro 25,284 thousand as at 31 December 2023. This change is mainly generated by the increase in deferred tax assets of Euro 5,590 thousand.

D) Net Financial Indebtedness

	Financial year ended 31 December			
(Euro in thousands)	**2023**	***of which with related parties and group***	**2022**	***of which with related parties and group***
Cash and cash equivalents	(53,680)		(50,987)	
Current financial assets	(27,888)	*(2,605)*	(17,163)	*(2,596)*
Current financial liabilities	103,811	*1,081*	80,086	*4,144*
Current financial liabilities from rights of use	9,398		7,280	
Current portion of derivative financial instruments	-		-	
Current financial indebtedness	**31,641**	***(1,524)***	**19,216**	***1,548***
Non-current financial liabilities	92,007	*1,899*	92,376	-
Non-current financial liabilities from rights of use	29,849		16,772	
Non-current portion of derivative financial instruments	-		-	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	**121,856**	***1,899***	**109,148**	**-**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**153,497**	***375***	**128,364**	***1,548***
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	**153,497**	***375***	**128,364**	***1,548***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2023, is equal to Euro 114,250 thousand with an increase of Euro 9,938 thousand compared to the end of 2022.

The net financial indebtedness as at 31 December 2023 increased by Euro 25,133 thousand compared to the end of 2022 (19.6%). This change is mainly due to the increase in net working capital of Euro 6,204 thousand and to leasing operations put in place on its own fleet, in particular used vehicles, of Euro 15,195 thousand.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 12,425 thousand due to the:
  - increase in cash and cash equivalents and current financial assets of Euro 13,418 thousand;
  - increase in current financial liabilities of Euro 25,843 thousand mainly due to the short-term reclassification to short-term of the portions to be reimbursed in 2024;
- increase in medium/long-term financial indebtedness of Euro 12,708 thousand relating to new leasing operations put in place on its own fleet, net of the short-term reclassification mentioned in the previous point.

Some existing loan agreements and bond issues contractually provide for the annual 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. These covenants as at 31 December 2023 were met.

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. Pursuant to the aforementioned ESMA guidelines, it should be noted that the amounts relating to reverse factoring not included in the statement on indebtedness, in that the deferment is part of the Group's normal practice, amount to Euro 6,122 thousand.

Shareholders' Equity

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Share capital	15,702	15,702
Reserves	62,968	57,290
Profit/(loss) for the year	(2,969)	7,862
Non-controlling interests	2,543	2,523
Shareholders' equity	**78,244**	**83,377**

The share capital amounts to Euro 15,702 thousand, fully paid up, and comprises 606,460,200 shares with no indication of their nominal value.

Reconciliation between the shareholders' equity values and the result for the period of the Parent Company with the corresponding consolidated values:

	Financial year ended 31 December	
(Euro in thousands)	**Shareholders' Equity**	**Net result**
Amounts resulting from the financial statements of Tesmec S.p.A.	**95,559**	**3,360**
Consolidation adjustments		
a) Equity investments evaluated using the equity method	4,526	933
b) Difference between book value and assets of consolidated equity investments	(16,377)	-
c) Results from consolidated equity investments	(3,603)	(3,603)
d) Translation reserve	2,132	-
e) Elimination of dividends distributed by Companies of the Group	(3,315)	(3,315)
f) Elimination of intra-group items	(3,221)	(344)
Net effect of consolidation adjustments	*(19,858)*	*(6,329)*
Amounts attributable to the Group	**75,701**	**(2,969)**

Investments

Investments include capitalisations relevant to development projects (Euro 13,491 thousand) that refer to strategic activities as a result of which Tesmec manages to maintain its technological leadership position on traditional markets and increase the range of offered products and services (railway market, new generation trenchers, management of the electric system) plucking up the high level of internationalisation of its sales network.

3.7 Parent company management performance

The management performance of the Parent Company substantially reflects the performance previously commented at the consolidated level considering its weight on the total consolidated financial statements of the Group. For these reasons, the most important figures relating to the financial statements of the Parent Company are stated below, referring to the comments on management made at consolidated financial statement level.

As better explained in paragraph *2.4 Discretionary assessments and significant accounting estimates* of the Explanatory Notes to the Financial Statements, starting from financial year 2023 the Company reports among financial charges the costs incurred with credit institutions for the issue of guarantees necessary for execution of multi-year job contracts, previously shown as costs for services, believing that this classification allows for a better representation of the economic substance of the case which is constituted by the financial commitment incurred by the Company for the completion of the Group's ongoing job orders.

This reclassification resulted in lower operating costs of Euro 1,126 thousand for the 2023 financial year and corresponding higher financial charges.

In order to allow for better comparability of the financial statement data, in this file the data referring to the previous financial year (2022) have been reclassified, in which these costs were equal to Euro 863 thousand.

Income statement

The income statement of the Parent Company in 2023 compared with that of the prior financial year is summarised below:

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022 reclassified**	**% of revenues**	**2023 vs 2022**
Revenues from sales and services	**127,612**	**100.0%**	**110,775**	**100.0%**	**16,837**
Cost of raw materials and consumables	(74,031)	-58.0%	(59,877)	-54.1%	(14,154)
Costs for services	(22,867)	-17.9%	(22,018)	-19.9%	(849)
Payroll costs	(23,911)	-18.7%	(21,973)	-19.8%	(1,938)
Other operating costs/revenues, net	2,070	1.6%	290	0.3%	1,780
Amortisation and depreciation	(5,784)	-4.5%	(5,917)	-5.3%	133
Development costs capitalised	4,224	3.3%	2,406	2.2%	1,818
Total operating costs	**(120,299)**	**-94.3%**	**(107,089)**	**-96.7%**	**(13,210)**
Operating income	**7,313**	**5.7%**	**3,686**	**3.3%**	**3,627**
Financial expenses	(15,967)	-12.5%	(15,881)	-14.3%	(86)
Financial income	12,484	9.8%	17,363	15.7%	(4,879)
Pre-tax profit/(loss)	**3,830**	**3.0%**	**5,168**	**4.7%**	**(1,338)**
Income tax	(470)	-0.4%	(1,034)	-0.9%	564
Net profit/(loss) for the year	**3,360**	**2.6%**	**4,134**	**3.7%**	**(774)**

Revenues from sales and services mainly refer to income deriving from the transfer of stringing machines and equipment and trenchers, these revenues increased by 15.2%.
Other operating costs/revenues, net include the positive effect of the tax credit for significant research and development expenses incurred by the Parent Company Tesmec S.p.A. for the expansion of the offer in the new sectors for automation, maintenance of existing power lines and service activities, which were combined with the renewal of the product range in all of Trencher's business areas. The total value of the income tax credit amounted to Euro 454 thousand for the 2023 financial year and to Euro 871 thousand for the 2022 financial year.

The table below illustrates the performance of EBITDA that increased by 36.4% compared to the previous financial period:

	Financial year ended 31 December				
(Euro in thousands)	**2023**	**% of revenues**	**2022 reclassified**	**% of revenues**	**2023 vs 2022**
Operating income	7,313	5.7%	3,686	3.3%	3,627
+ Amortisation and depreciation	5,784	4.5%	5,917	5.3%	(133)
EBITDA	**13,097**	**10.3%**	**9,603**	**8.7%**	**3,494**

Operating Income

The operating income of Euro 7,313 thousand in 2023 increased by Euro 3,627 thousand compared to 2022, mainly due to the improvement in the trencher segment.

Net result

The result for the period amounted to Euro 3,360 thousand (negative and totalling Euro 4,134 thousand in 2022) after deducting taxes totalling Euro 470 thousand (income of Euro 1,034 thousand in 2022).

Balance sheet and financial profile

The financial position of the Company as at 31 December 2023 compared to 31 December 2022 is summarised in the table below.

(Euro in thousands)	Financial year ended 31 December 2023	2022
USES		
Net working capital	26,443	38,085
Fixed assets	106,540	101,454
Other long-term assets and liabilities	23,186	23,089
Net invested capital	**156,169**	**162,628**
SOURCES		
Net financial indebtedness	60,610	70,408
Shareholders' equity	95,559	92,220
Total sources of funding	**156,169**	**162,628**

Details for a better understanding of changes in the two items are given below:

Working capital

(Euro in thousands)	Financial year ended 31 December 2023	2022
Trade receivables	42,406	44,411
Inventories	35,218	40,629
Trade payables	(46,657)	(40,277)
Other current assets/(liabilities)	(4,524)	(6,678)
Net working capital	**26,443**	**38,085**

The Working capital compared to revenues decreased to 20.7% reported in 2023 from 34.4% in 2022. This result was affected by the increase in "Inventories" of Euro 5,411 thousand and the increase in trade payables of Euro 6,380 thousand.

Fixed assets

	Financial year ended 31 December 2023	2022
Intangible assets	11,235	8,266
Property, plant and equipment	8,995	8,124
Rights of use	9,427	8,412
Equity investments in subsidiaries	75,839	75,620
Equity investments in associates	1,008	1,008
Other equity investments	36	24
Fixed assets	**106,540**	**101,454**

Total fixed assets recorded a net increase of Euro 5,086 thousand mainly due to the increase in *Intangible assets* of Euro 2,969 thousand.

Net financial indebtedness

	31 December			
(Euro in thousands)	2023	*of which with related parties and group*	2022	*of which with related parties and group*
Cash and cash equivalents	(22,284)		(19,616)	
Current financial assets	(60,419)	*(56,136)*	(44,439)	*(43,021)*
Current financial liabilities	70,447	*202*	57,637	*3,788*
Current financial liabilities from rights of use	2,664		2,616	
Current portion of derivative financial instruments	-		-	
Current financial indebtedness	**(9,592)**	***(55,934)***	**(3,802)**	***(39,233)***

Non-current financial liabilities	63,318		67,819	
Non-current financial liabilities from rights of use	6,884		6,391	
Non-current portion of derivative financial instruments	-		-	
Non-current financial indebtedness	**70,202**	**-**	**74,210**	**-**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**60,610**	***(55,934)***	**70,408**	***(39,233)***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2023, is equal to Euro 51,062 thousand with a decrease of Euro 10,339 thousand compared to the end of 2022.

Net debt stands at Euro 60,610 thousand as at 31 December 2023 from Euro 70,408 thousand as at 31 December 2022. The decrease of Euro 9,798 thousand is mainly due to the increase in intra-group current financial assets.

Shareholders' Equity

For comments regarding Shareholders' equity, refer to what is already described at consolidated level.

3.8 Value generated and distributed

This paragraph is part of the Non-financial Statement.

GRI Standards	3-3; 201-1

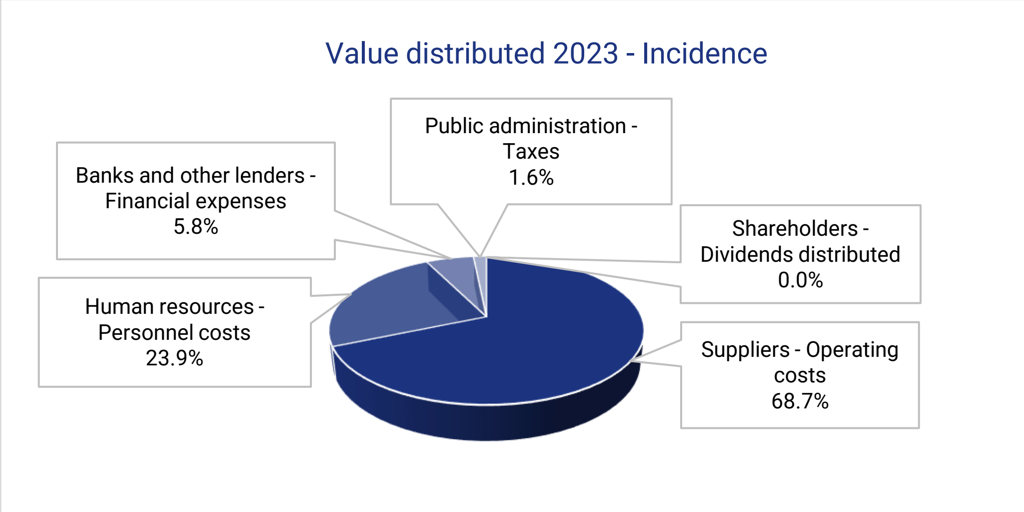
The **Value generated and distributed**, derived from the consolidated income statement, represents the economic value directly generated by the Tesmec Group and distributed to internal and external stakeholders. It is therefore a measure of the creation and distribution of economic value to stakeholders. The Group's Consolidated financial statements are the documentary reference for in-depth analysis of the Group's performance and its economic and financial trend.

From an accounting perspective, the **Value generated** represents the Group's net revenues (revenues, other operating income, net of losses on receivables, tax benefits), while the **Economic value distributed** includes costs reclassified by stakeholder category. The **Economic Value retained** is related to the difference between Economic Value Generated and Distributed, and includes the depreciation of property, plant and equipment and the amortisation of intangible assets, provisions, the effects of fair value measurements, deferred taxes and the economic net profit.

In 2023, 68.7% of the total value distributed was distributed to suppliers, confirming their role in the Tesmec Group's value creation chain, and 23.9% to employees. No distribution of dividends to shareholders was planned during the three-year period.

	2023	2022	2021
Economic value generated	**268,280,243**	**265,174,733**	**209,989,491**
Suppliers - Operating costs	(186,380,187)*	(179,867,840)	(134,520,514)
Human resources - Personnel costs	(64,955,092)	(62,496,822)	(57,678,034)
Banks and other lenders - Financial expenses	(15,808,324)	(9,623,468)	(8,074,868)
Public Administration - Taxes	(4,338,276)	(5,062,062)	(2,501,636)
Shareholders - Dividends distributed	-	-	-
Economic value distributed	271,481,879	257,050,192	202,775,051
Economic value retained	(3,201,636)	8,124,541	7,214,440

* Note that the reported economic value distributed includes Euro 11,813 corresponding to the value distributed to communities throught donations.



3.9 Grants and contributions from the Public Administration

This paragraph is part of the Non-financial Statement.

GRI Standards	3-3; 201-4

Tesmec S.p.A. is implementing an industrial development programme that includes the expansion and modernisation of production plants through investment in assets that comply with the national Industry 4.0 plan, as defined in the list of "Assets functional to the technological and digital transformation of companies according to the «Industria 4.0» (Industry 4.0) model" in Annex A (Italian Law of 11 December 2016).

In 2023, Tesmec S.p.A. accrued tax credits of Euro 817 thousand for investments in Industry 4.0 tangible assets (pursuant to Italian Law no. 178 of 30 December 2020, as amended).

In April 2023, the company Tesmec Rail S.r.l. signed a Planning Agreement with the Apulia Region as part of the FESR 2014-2020 Apulia Operating Programme - Convergence Objective, Apulia Regional Regulation for exempted aid no. 17 of 30 September 2014 - Title II - Chapter 1 "Aiuti ai programmi di investimento delle Grandi Imprese" (Aid to investment programmes of Large Enterprises) (Article 17 of Regional Regulation no. 17 of 30 September 2014). The investment project envisages interventions to support the economic value of innovation and the industrialisation of R&D results and a maximum contribution of Euro 3,639 thousand.

In January 2023, the Deregulation Committee of SIMEST resolved to grant a Loan and a Co-financing for a total amount of Euro 657,500.00, of which Euro 14,771.00 as a portion of non-repayable Co-financing and Euro 642,729.00 as a portion of loan to the company Tesmec Automation S.r.l. as part of the measure "Transizione Digitale ed Ecologica delle PMI con vocazione internazionale" (Digital and Green Transition of SMEs with an international vocation), financed by the European Union - NextGenerationEU - PNRR-Measure 1, - Component 2, - Investment 5, Project Line "Rifinanziamento e Ridefinizione del Fondo 394/81" (Refinancing and Redefinition of Fund 394/81).

For further details, see paragraph *6. Further information - Information pursuant to Law 124/2017*.

There are no Governments in the shareholding structure of the Group companies.

4 Sustainability Report - Consolidated Non-financial Statement for 2023 pursuant to Italian Legislative Decree no. 254/2016

Methodology

GRI Standards	2-2; 2-3; 2-4; 2-5

The Consolidated Non-Financial Statement (hereinafter also referred to as the "Non-Financial Statement" or "NFS") of the Tesmec Group, published on an annual basis, was prepared in accordance with Articles 3 and 4 of Italian Legislative Decree no. 254/2016 (hereinafter also referred to as the "Decree"), implementing Directive no. 2014/95/EU, and contains information on environmental, social, personnel, human rights and anti-corruption issues that are useful for ensuring an understanding of the activities carried out by the Tesmec Group, its performance, its results and the impact produced by them.

As required by Italian Legislative Decree no. 254/2016, evidence is also provided of the main risks generated or suffered in relation to the aforementioned issues and arising from the company's activities, products, services or business relationships, including, where relevant, supply chains and subcontracting, with an indication of how they are managed.

The environmental, social, economic and governance information in the NFS ensures a better understanding of the Tesmec Group's activities, performance, results and impact. This enables those with access to the data to make informed assessments and decisions about the impact of the Tesmec Group and its contribution to sustainable development.

The NFS was prepared in accordance with the methodologies and standards set out in the GRI Sustainability Reporting Standards defined by the Global Reporting Initiative (GRI Standards). The GRI Content Index, which is published as an appendix to this document and is an integral part of it, provides traceability to the indicators and other quantitative and qualitative information presented.

The GRI Standards enable companies to report on the key impacts of their business activities and relations on the economy, the environment and people. These impacts, which in many cases are financial (or may become financial over time), are of paramount importance for sustainable development and for the companies' stakeholders. Therefore, sustainability reporting is critical to a better understanding of a company's financial performance and value. The information provided by sustainability reporting helps to identify financial risks and opportunities related to the company's impact, value and ability to last. The Group will carry out the proper analysis of its financial impacts during the next financial year, in compliance with regulatory requirements.

The quantitative data and information that make up Tesmec Group's sustainability report (NFS) are included in this "Consolidated Non-Financial Statement" section of the Report on Operations, unless otherwise indicated, and are identified by reference to the GRI standards covered in each paragraph with the words "GRI [number]".

In addition to this section, the quantitative data and information constituting the sustainability statement (NFS) of Tesmec Group are reported in *the Letter to Stakeholders* and in paragraphs *3.8 Value generated and distributed* and *3.9 Subsidies and contributions from the Public Administration*.

Similarly to the previous year, the GRI standards published in 2021 were applied for the NFS of the 2023 financial year, which updated the drafting process, the general disclosures and the process for identifying and assessing material topics: GRI 1 Foundation; GRI 2: General Disclosures; GRI 3 Material topics.

In particular, the GRI 1 Foundation 2021 defines the general principles of sustainability reporting *(Reporting Principles):* accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

The GRI standards and related performance indicators reported are those that represent the relevant sustainability topics (material topics) analysed, consistent with Tesmec Group's business and related impacts. The process of analysing, identifying, evaluating and prioritising material topics, as described in Chapter *4.4 Material Topics*, was carried out as required by Italian Legislative Decree no. 254/2016 and the GRI Standards. This process is updated and gradually developed over time, as part of the Tesmec Group's sustainability (*accountability*) reporting process.

The contents of the Non-Financial Statement related to climate change topics take into account the Communication of the European Commission, published in June 2019, "Guidelines on non-financial reporting: Integration concerning climate-related disclosures (2019/C 209/01)", which complements the recommendations of the Task Force on Climate-related Financial Disclosures -TCFD) of the Financial Stability Board. The recommendations of the TCFD cover four thematic areas: governance, strategy, risk management, metrics and targets.

The NFS includes the disclosure required by Article 8 of the Regulation (EU) no. 2020/852 on the Taxonomy of the European Union concerning sustainable activities. The EU Taxonomy sets out the conditions that an economic activity must meet to be considered sustainable. This disclosure is included in paragraph *4.5 Environment*.

About the reporting of *GRI 201: Economic Performance*, the disclosure was included in Chapter 3 *Economic and Financial Results and Group Performance* of the Report on Operations.

The reporting boundary for qualitative and quantitative data and information is represented by the performance of the parent company Tesmec S.p.A. and its subsidiaries, consolidated on a line-by-line basis, as reported in the consolidated financial statements of the Group as at 31 December 2023, and for the entire reporting period (for the period from 1 January 2023 to 31 December 2023), except for what specified hereinafter.

In line with the Policy Group Non-Financial Report, the scope of environmental and social data and information is composed of the following companies consolidated on a line-by-line basis in the 2023 Annual Financial Report of the Tesmec Group: Tesmec S.p.A., Tesmec USA, Inc., Tesmec SA (Pty) LTD, Tesmec Saudi Arabia LLC, Tesmec Automation S.r.l., Tesmec Rail S.r.l., Groupe Marais SA, Tesmec Australia (Pty) Ltd., Marais Laying Tech. (Pty) Ltd. Nouvelle Zelande, Tesmec Peninsula WLL.

The following companies are excluded from the scope of environmental data and information: Marais Cote d'Ivoire SARL, Tesmec Guinee SARLU, East Trencher S.r.l., OOO Tesmec RUS, Tesmec New Technology Ltd., Marais Trenching (Pty) Ltd. AFS, MIR SA.
The following companies are also excluded from the reporting scope of this document: 4 Service S.r.l., 4 Service USA, Bertel S.r.l., Tesmec Maroc SARL, Marais Technologies SA and EURL Tesmec Energy.

The choice to exclude these companies is in line with the provisions of Article 4 of the Decree, according to which the Statement can exclude those companies that, albeit included in the scope of consolidation, are not necessary to understand the Group's activity, its performance, results and impact produced by the activity itself. In fact, the environmental impacts of these companies, as envisaged by the Group Non-Financial Report Policy, are not considered significant due to their low incidence in terms of Group turnover (less than 2% of the consolidated total), number of employees (less than 10) and type of activity (non-productive)[1].

To enable comparisons to be made over time and to assess the performance of the Tesmec Group, comparative data is provided for the two previous financial years.

Where estimates have been used for some of the quantitative information, this is indicated directly in the various paragraphs of this document commenting on the data presented.

To ensure the consistency and comparability of information, the quantitative data presented and relating to previous periods can be recalculated and restated in relation to what was published in the previous year's NFS, where this is deemed necessary to correct errors or to take account of changes in the measurement methodology of the indicators or in the nature of the activity. The relevant indications, recalculation criteria and effects are highlighted in the corresponding chapters and paragraphs.

The NFS drafting process involved the heads of the various functions of the parent company Tesmec S.p.A. and its Italian and foreign subsidiaries.

The Non-Financial Statement, included in the Report on Operations, was approved by the Board of Directors of Tesmec S.p.A. on 8 March 2024. The document was also subject to a limited review (limited assurance engagement in accordance with the criteria set out in the revised ISAE 3000 standard) by Deloitte & Touche S.p.A. The audit was carried out in accordance with the procedures indicated in the "Independent Auditors' Report" included in this document. This audit includes compliance with the requirements of Italian Legislative Decree no. 254/2016 and the

[1] As defined in the Group's Non-Financial Report Policy Group, these data refer to 30/09/2023.

GRI Standards. Other possible reporting standards and the assessment of activities that are eligible and in line as per Delegated Regulation (EU) 2021/2139 of June 4th, 2021 are not included in the audit (European Taxonomy).

Deloitte & Touche S.p.A. is also the company entrusted with the external audit of the financial statements and consolidated financial statements of Tesmec S.p.A. The independent auditors' report is included at the bottom of this document.

Tesmec Group identified the Chief Financial Officer, also the Manager responsible for preparing the Company's financial statements, as the Manager in charge of preparing the NFS with the task of managing the process of collecting and aggregating the data and information required for preparing the NFS. Under their coordination, an internal working group was set up, representing the main business functions, in order to collect the information required for the NFS, verify and validate it, and store the supporting documents to ensure their traceability.
The Group Policy related to the non-financial reporting process, formalised in a document approved on December 20th, 2022, by the Control and Risk, Sustainability and Related Party Transactions Committee and approved by the Board of Directors again on December 21st, 2022, identifies the following steps:

1. preliminary activities (definition of timing, context analysis, definition of boundary, risk analysis);
2. preparation, update and approval of the materiality analysis;
3. starting the process for collecting and approving non-financial data and information;
4. data analysis and preparation of the text of the Non-financial Statement;
5. approval of the Non-financial Statement.

The Annual Financial Report, including the NFS, is published on the Company's institutional website at https://investor.tesmec.com/it/Investors/AnnualReports.

For more information, please contact sustainability@tesmec.com.

Tesmec S.p.A. notified GRI (Global Reporting Initiative) of its use of the GRI Standards and its Statement of Use.

Directive (EU) no. 2022/2464 CSRD Corporate Sustainability Reporting Standards and the ESRS criteria

Directive (EU) no. 2022/2464 CSRD Corporate Sustainability Reporting Directive (CSRD) approved by the European Parliament in November 2022 and currently being implemented into the Italian law envisages, starting with the annual corporate reporting for the next fiscal year 2024, the publication of the Sustainability Statement as an integral part of the Report on Operations to the consolidated annual financial statements, replacing the current NFS, and the adoption of the ESRS European Sustainability Reporting Standards (ESRS) as the criteria for drafting and reporting on sustainability/ESG topics.

The first set of the ESRS European Sustainability Reporting Standards was adopted by the European Commission on 31 July 2023, with the publication of the related Delegated Regulation (EU) no. 2023/2772 in the Official Journal of the European Union on 22 December 2023. The Commission Delegated Regulation of 31 July 2023 integrates Directive (EU) no. 2013/34 of the European Parliament and of the Council with regard to Sustainability Reporting Standards (ESRS).

During 2024, Tesmec, based on the content analysis of the standards to be adopted for the next Sustainability Reporting Standards (ESRS) and the Implementation Guidance published by EFRAG, will implement the Action Plan required to comply with the new applicable regulations. It should be noted that, in line with the interoperability logic of the standards, the use of ESRS does not preclude the integration of sustainability reporting with other standards, in particular GRI, ISSB (IFRS-S & SASB).

4.1 Profile and activities of the Tesmec Group

4.1.1 Profile and activities of the Tesmec Group

GRI Standards	2-1; 2-6

The Tesmec Group, listed on the Euronext STAR Milan segment of the Euronext Milan market of the Italian Stock Exchange, thanks to the thorough technological knowledge and the know-how gained from 70 years of experience, is mainly active in designing, manufacturing and selling systems and integrated solutions for the construction, maintenance and diagnostics of infrastructures (aerial, underground and rail networks), for the transport and supply of energy, data and materials (oil and derivatives, gas, water) as well as technologies for the running of quarries and surface.
The general geopolitical and social context was mentioned in the chapter 2 of the Report on Operations, to which reference is made.

Tesmec S.p.A. has commercial activities in over 135 countries worldwide. The registered office of the parent company Tesmec S.p.A. is in Milan MI/Italy (Piazza Sant'Ambrogio 16), and the administrative office in Grassobbio BG/Italy.

The Tesmec Group has production sites and research centres.

	Energy Stringing	Energy Automation	Trencher	Rail
Tesmec S.p.A.				
Grassobbio, Italy	■		■	■
Endine, Italy	■			■
Sirone, Italy	■	■	■	■
Tesmec Rail S.r.l.				
Monopoli, Italy				■
Bitetto, Italy				■
Tesmec Automation S.r.l.				
Fidenza, Italy		■		
Patrica, Italy		■		
Padua, Italy		■		
Groupe Marais SAS				
Durtal, France			■	
Tesmec USA Inc.				
Alvarado, USA			■	■

The Group has a global commercial presence on several continents through corporate structures and sales offices in the USA, South Africa, West Africa, Australia, New Zealand, Russia, Qatar and China.

Total number of employees	1,026
Net revenues	Euro 251,917 thousand

For financial information, see the Consolidated Financial Statements of the Tesmec Group section of this document.

Operating segments

Energy segment

The Tesmec Group is active in the Energy segment in two specific market segments: **Energy Stringing and Energy Automation**. The Group **designs, manufactures and distributes solutions and technologies for the energy segment, spanning the world of power lines and substations**.

Energy Stringing

In the **Energy Stringing segment**, the Group consolidated its presence in the **tension stringing market for the construction of aerial and underground lines for the transmission of electrical power**, thanks to its coverage of the world's main markets and its innovation in research and development, which enables it to offer specific solutions for all types and voltages of lines, including very high voltage lines and those using the new generation of high efficiency conductors.

In the market of reference, Tesmec sells **machines and equipment for the construction and maintenance of aerial and underground electric power lines**: digital and full-electric stringing equipment machines, traditional machines and equipment for overhead and underground stringing equipment. The positioning of the offer dedicated to the stringing equipment segment is focused on the relationship between the new digital technologies on the one hand and the strong tradition of quality, reliability and durability of the Tesmec brand on the other, according to an integrated solution approach.

Energy Automation

Over time, the company's strategy has led it to combine the construction of **power networks** of the Stringing equipment segment, in which Tesmec is a world leader, with their **management and automation** (**Energy Automation** segment), which represents a strong synergy in terms of markets and customer type. Tesmec entered the segment with the acquisition of several Italian companies in the sector.

In the Energy Automation segment, Tesmec is a provider of solutions and technologies for electricity transmission and distribution networks, known as Smart Grids. The Group's technologies ensure the reliability, safety, efficiency and resilience of the infrastructure with specific solutions that meet the trends in the demand for electricity. Tesmec designs, manufactures and distributes advanced devices and systems for automation, telecommunications, protection, control, management and monitoring of high and medium voltage power networks.

In line with market trends, Tesmec has strengthened its expertise in software development and digitalisation, enabling advances in cutting-edge technologies and innovative solutions. This decision led to the adaptation of existing production plants, increasing production capacity and efficiency. Tesmec's aim is to best meet high market demand whilst maintaining operational efficiency through the appropriate selection of supply chain partners.

Services

The portfolio of solutions in the Energy segment is completed by pre-sales technical analysis, systems engineering and integration, scheduled maintenance to maximise system efficiency, after-sales technical support and commissioning in the field, continuous training and retraining programmes for customers' technicians.

Customers in the Energy segment

Energy-Stringing segment	Energy-Automation segment
State-owned companies entrusted with the management of transmission and distribution power lines; Structured companies participating in the contract for the construction and/or maintenance of the infrastructure and for the installation of wires and fibre optic lines (known as main contractors); Specialised companies that work only on the installation of wires through sub-contracts; Companies that are mainly involved in the maintenance of existing power lines.	Electricity utilities in the distribution and transmission of power (DSOs and TSOs respectively) and production of energy from traditional and renewable sources; EPC (Engineering, Procurement and Construction) contractors involved in the construction or modernisation of electricity infrastructure, such as substations and lines; Companies involved in the integration of specific subsystems required for the operation of the electrical system (known as system integrators); Manufacturers of power units, such as transformers, who need to integrate intelligent monitoring devices into their supply package.

Trencher segment

The strategy of Tesmec in the Trencher segment is to consolidate its position as an **international solutions provider for the construction, maintenance and efficiency of civil and underground infrastructure and surface mines**.

The Tesmec Group is one of the main operators worldwide in the **design, production and sale** as well as rental of high-powered crawler **trenchers** for in-line excavations (channels and trenches for laying cables or pipes) and surface miners for earthworks and mines. In particular, the Group provides **solutions and technologies for in-line excavation** of telecommunication networks and installation of fibre optics, underground power networks, oil pipelines, gas pipelines, water systems, drainage operations, earthworks, quarries and surface mines and specialised excavation services.

The design, production, testing and inspection activities are carried out at the headquarters in Grassobbio. The Group operates globally through branches located in different geographical regions, from France to the United States to Africa and Oceania. The strategy is based on an approach that provides a direct and rooted presence in key areas of the world, enabling us to identify and respond to the specific needs of different markets.

The offer is based on integrated, high value-added solutions to meet customers' needs, with a strategy focused on innovation, integration, internationalisation, and sustainability.

In the Trencher segment, in addition to the sale of machines, the Tesmec Group also offers short/medium and long-term **rental solutions**, with or without an operator.

Services

The services offered, both through internal personnel and external consultants, are **consultancy and inspections, feasibility studies and geological analyses, training, fleet management and supervision**, diagnostic and maintenance services, on-site assistance and provision of mobile workshops.

Customers in the Trencher segment

Customers	End users of the products
Dealers (companies that purchase trenchers from the Group and in turn sell or lease the trenchers and provide also after-sales services);	Contracting companies involved in the construction of infrastructure;
Contracting companies involved in the laying of pipelines, power cables and fibre optic cables;	Companies carrying out the laying and excavation work through sub-contracts;
Companies specialised in carrying out excavations working as subcontractors for the contracting companies.	Companies specialised in carrying out excavations and earthworks on both land and in quarries.

Rail segment

Leveraging its long experience in the Stringing equipment segment of the Energy segment, the Group has consolidated its position in the rail business, a key sector of the European and international strategy for sustainable mobility. The sector is driven not only by investment in infrastructures, but also by the demand for maintenance and monitoring of the existing rail networks and the importance of reliability, safety and security topics for the rail infrastructure as a whole.

In parallel with the development of **technical solutions for the installation of rail catenary** (rail power supply networks), Tesmec has also developed **technologies and integrated solutions to automate various maintenance operations on rail power lines**. This development has taken place through both internal growth and acquisitions, through strategic operations with factories and research centres of excellence in Apulia (Monopoli and Bitetto,) which have allowed the integration of the Group's "historical" skills in rail electrification with new digital skills as part of the diagnostics of the rail network.

Today, the Group **designs and produces technological solutions for electrification, line maintenance and diagnostics of the rail infrastructure**.

In particular, the product portfolio includes integrated solutions for the installation of the railway catenary wire system; working equipment for the maintenance of catenary wire systems (e.g. wear and tear) and of the track for special operations (e.g. removing snow from the track) and vehicles and measuring and vision systems for railway infrastructure diagnostics.

The solutions of the Tesmec Group are driven by sustainable innovation and digitalisation, with a focus on projects dedicated to the electrification of vehicles to mitigate the environmental impact of their use and the development of advanced diagnostics solutions to strengthen the maintenance and safety of rail networks.

Services

Tesmec also offers complementary service packages: as theoretical and practical courses for technical education, technological consultancy for the use of advanced technologies for project streamlining, vehicle start-up on construction sites and scheduled maintenance to improve the use of vehicles (*maintenance service*).

The comparison and collaboration with leading Italian and European rail infrastructure managers and contractors has enabled the organisation to develop its technological offer. Research & Development is coordinated by specialised technicians, who actively collaborate with both the academic world and industrial technology partners.

This includes a strategic collaboration between Tesmec Rail and the Škoda Group to provide innovative and sustainable technologies to the rail market. The collaboration reflects the strong interest of both companies in expanding their activities to create and support a business model based on technological development and the promotion of innovative rolling stock.

The offer of quality services requires the **involvement of the entire value chain**: from design, implementation and maintenance up to the offer for the customer. Tesmec has always sought to favour local suppliers to reduce transport time, cost and impact.

Customers in the rail segment

Customers
State railway companies operating the national network;
Private companies involved in the construction and maintenance of rail infrastructure;
Specialised companies that work on infrastructures through sub-contracts.

4.1.2 Mission and values of the Tesmec Group

Mission and role

The Tesmec Group operates in the market of technologies dedicated to infrastructures for the transmission of electrical power, data and materials (oil and derivatives, gas, water), **strategic sectors for the sustainable development and the modernisation** of Countries and economies. In its development strategy, Tesmec intends to consolidate its position as a *solution provider* in the three business areas, exploiting the macro trends of energy transition, digitalisation, and sustainability.

Tesmec trademark is a synonym for **efficiency, quality, safety and reliability at global level**. The Tesmec Group is strategically positioned **between market and technology**, interpreting **customer requirements** and focusing on **innovation** and **customisation of systems and solutions**. The flexible organisation of the Tesmec Group is able to speed up decision making and provide a fast and high-quality service.

The Tesmec Group has decided to pursue a growth strategy: to be global, but to have a local presence in the main areas of the planet to better interpret the needs of individual markets. The challenges of markets for a sustainable future and development require modern, industrial economies, as well as emerging ones, to invest in energy and telecommunications technology. New technologies are able to fill the gaps in infrastructures in different countries, improving efficiency and meeting the needs of new generations.

The need to rationalise energy costs and improve the speed of information transmission makes investment in energy and telecommunications crucial to global growth: for this reason, Tesmec's mission cannot ignore investment in technologies for the streamlining and management of networks.

The Code of Ethics

The Tesmec Code of Ethics (Code of Ethics and articles of association | Tesmec), published on the company's website, defines at Group level the ethical and social responsibility of all participants in the entrepreneurial organisation. An ethical business approach is essential for the Company and Group's behaviour towards Stakeholders and, more generally, towards the entire civil and economic context in which the Company and the Group operate. The compliance with the Group's Code of Ethics by all company representatives is of fundamental importance for the proper operation, reliability and reputation of the Company and of the Group itself.

The values of Tesmec
Enhancement of human resources and personal integrity
Confidentiality
Responsibility towards the community
Fighting corruption and conflicts of interest
Protection of human rights and safety of people
Protection of the environment and quality standards
Fair competition
Protection of Intellectual Property
Transparency
Fairness in the management of contracts

4.1.3. The impact of the regulatory framework

The Group is subject to numerous **legal and regulatory requirements**, as well as national and international **technical standards**, in relation to its business areas and the various countries in which it operates. The provisions on the **protection of the environment** take on particular importance.

The enactment of regulatory provisions applicable to the Group or to its products or changes to the laws and regulations currently in force in areas where the Group operates, even internationally, may have a potential impact in terms of the adoption of *standards* or influence the characteristics of products and business areas.

4.1.4 Employees and other workers

GRI Standards	2-7; 2-8; 2-30

Employees

As at 31 December 2023, the Tesmec Group employed 1,026 people. The following workforce figures are calculated with reference to employees at the end of each period (HC/Head Count).

The commitment to establish stable and lasting relations is confirmed by the high percentage of employees hired with an open-term labour contract (96% of the total).

The geographical distribution of Group employees records 61% employed in Italy, 13% in France, 9% in North America and the remaining 17% in other countries.

Information on the Group's policies, welfare measures, respect for the principles of diversity, equality, inclusion, health and safety and training of Group employees is provided in chapter *4.6 Human Resources* of this document.

Total number of employees **by gender/type of contract**	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	**110**	**515**	**625**	**96**	**479**	**575**	**93**	**464**	**557**
Open-term	106	504	610	95	474	569	92	457	549
Fixed-term	4	11	15	1	5	6	1	7	8
France	**19**	**117**	**136**	**16**	**122**	**138**	**15**	**127**	**142**

Open-term	17	115	132	15	121	136	15	125	140
Fixed-term	2	2	4	1	1	2	-	2	2
USA	**12**	**77**	**89**	**11**	**68**	**79**	**13**	**66**	**79**
Open-term	12	77	89	11	68	79	13	66	79
Fixed-term	-	-	-	-	-	-	-	-	-
Rest of the world	**19**	**157**	**176**	**21**	**152**	**173**	**18**	**138**	**156**
Open-term	18	131	149	17*	107*	124*	14*	76*	90*
Fixed-term	1	26	27	4*	45*	49*	4*	62*	66*
Total	**160**	**866**	**1,026**	**144**	**821**	**965**	**139**	**795**	**934**
Open-term	153	827	980	138*	770*	908*	134*	724*	858*
Fixed-term	7	39	46	6*	51*	57*	5*	71*	76*

* The published data for 2021 and 2022 have been reclassified from those reported in the 2022 NFS due to a review of personnel data collection processes. The change is not significant.

Total number of employees **by type of contract/gender**	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	**110**	**515**	**625**	**96**	**479**	**575**	**93**	**464**	**557**
Full-Time	98	509	607	84	474	558	82	460	542
Part-time	12	6	18	12	5	17	11	4	15
France	**19**	**117**	**136**	**16**	**122**	**138**	**15**	**127**	**142**
Full-Time	18	117	135	14	122	136	15	127	142
Part-time	1	-	1	2	-	2	-	-	-
USA	**12**	**77**	**89**	**11**	**68**	**79**	**13**	**66**	**79**
Full-Time	12	77	89	11	68	79	13	66	79
Part-time	-	-	-	-	-	-	-	-	-
Rest of the world	**19**	**157**	**176**	**21**	**152**	**173**	**18**	**138**	**156**
Full-Time	19	155	174	20	151	171	16	137	153
Part-time	-	2	2	1	1	2	2	1	3
Total	**160**	**866**	**1,026**	**144**	**821**	**965**	**139**	**795**	**934**
Full-Time	147	858	1,005	129	815	944	126	790	916
Part-time	13	8	21	15	6	21	13	5	18

Other workers

The Tesmec Group also relies on workers who are not employees to carry out its activities in order to cope with the increased workload following the acquisition of new work orders, especially in the rail segment. As at 31 December 2023, the number of workers who are not employees of the Group was 55, the majority of whom were temporary workers. The use of coordinated and continued collaboration contracts takes place as part of the development of new product technologies whereas the use of internships, especially in Italy, takes place as part of the collaboration with technical institutes or public institutions.

Other workers	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Temporary workers	7	35	42	6	46	52	2	16	18
Contractors, self-employed workers, subcontractors	-	4	4	-	4	4	1	23	24
Trainees	2	2	4	1	2	3	1	3	4
Coordinated collaboration contracts	-	3	3	1	8	9	-	3	3
Workers on temporary visas	-	2	2	-	-	-	-	-	-
Total at the end of the period/by gender	**9**	**46**	**55**	**8**	**60**	**68**	**4**	**45**	**49**

Collective bargaining

In the geographical area in which the Tesmec Group operates, there are no situations in which the right to freedom of association and the right to collective bargaining are prevented (thanks to national legislation). All workers are therefore free to form, join and be organised in trade unions of their choice and to bargain collectively with the company.

At italian level, the Tesmec Group applies the management lines defined by the applicable CCNL (Contratto Collettivo Nazionale di Lavoro, Collective National Labour Agreement) of reference and all the requirements established by the applicable mandatory legislation on contractual relations with employees/collaborators in the management of contractual relations with all its workers. In particular, the Engineering Workers' National Collective Labour Agreement (CCNL) is applied to the employees of Tesmec S.p.A., Tesmec Automation and Tesmec Rail. On the other hand, the employees of East Trenchers are covered by the Building Industry Collective Agreement.

In foreign countries where there are no National Collective Agreements of reference, the Tesmec Group ensures uniform contractual conditions in compliance with local regulations and Group policies.

Therefore, the total percentage of employees covered by collective bargaining agreements in 2023 is 79.3%.

4.1.5 Suppliers

GRI Standards	2-6

Tesmec is looking for suppliers who can support its business and increase the value added of the supply chain in terms of both technology and environmental and social sustainability.

The Group's procurement is mainly focused on raw materials. The raw materials most used by the production companies (Tesmec S.p.A., Tesmec USA, Inc., Groupe Marais SAS) are semi-finished products in steel and aluminium (sheets, tubes, rounds, castings) and semi-finished products in nylon (rings and plates). The Group also purchases diesel engines, commercial, hydraulic and electronic components, and various services to support all of its operations. In particular, Tesmec USA and Tesmec Marais Group France only purchase semi-finished steel products, while Tesmec Rail S.r.l. and Tesmec Automation S.r.l. do not purchase or use steel, aluminium or nylon raw materials. The Energy-Automation segment mainly purchases electronic assemblies, printed circuit boards and carrier insulators. Today, the Tesmec Group relies on the contribution of more than 6,000 suppliers located in over 60 countries around the world, with a raw material expenditure of approximately Euro 109 million in 2023, favouring partnerships with local companies.

The planning of the Group's purchases is carried out centrally by the Purchasing Function and partly in the USA in close cooperation with the Production and Planning Departments; purchases for the Energy-Automation Segment are managed separately.

In order to build a reliable and collaborative supply chain, Tesmec uses different types of suppliers including: suppliers of finished products (e.g. for the purchase of engines), wholesalers of different brands of products and suppliers of services supporting production and/or related to general factory services. Minimising the number of steps in the supply chain provides a number of economic benefits, which are maintained and developed through the historical collaborations the Group has established over the years.
Tesmec is looking for long-term collaboration in the design of new machine prototypes, studies and research to improve machine parts, development of green projects to reduce environmental impact, and strategic consultancies concerning new business objectives.

In the stringing equipment and trenching segments, relations with the Group's suppliers are regulated by individual orders based on price lists agreed upon in advance by the sales office and on sales forecasts. In the case of long-term planning for the procurement of certain components, the organisation is based on annual sales programmes. On the other hand, for short-term planning, the purchase of raw materials is based on the order backlog.
In the rail segment, Tesmec mainly works on a work order basis by bidding for a number of tenders from the main rail companies, which allows for medium to long term projects (3 to 5 years). Their development leads to ongoing relationships with key suppliers, which can be consolidated into relevant collaborations, as was the case with the Skoda Group in 2023.

In the Energy Automation segment, the procurement flow follows a careful planning with weekly adjustments to ensure that work order schedules are met. Relations with strategic suppliers are long-term, also in the light of the specific nature of the business, which involves participating in tenders issued by the main players in the energy market, which require a qualified and carefully selected supply chain.

4.1.6 Innovation, Research & Development

GRI Standards	2-6

The research and development activity is a strategic priority for the Tesmec Group, which over the years has secured a position in the market segments with the highest added value and international recognition as a **technological leader** able to offer solutions in line with the highest **safety standards, environmental compatibility**, in accordance with the regulations on emissions into the atmosphere.

Research and development activities and related investments support the ability to produce and market innovative products (standard and customised) that meet the needs of its customers. The Group's commercial performance depends on its ability to rapidly adapt and innovate its offer of products and services in line with the technological developments and advances that characterise the segments in which Tesmec Group operates.

Innovation for sustainable development

The technological solutions that the Group offers to the market are aimed at enabling customers and user production chains to reduce the negative environmental impact of their activities, thus contributing to sustainable development throughout the supply chain. The innovation of the products and solutions offered to the market follows the logic and trends of energy transition, digitalisation and sustainability in the various fields of activity.

The Group's commitment to research and development makes it possible to develop cutting-edge solutions that enrich the range with **products with a low environmental impact**, thanks to the use of hybrid and fully electric engines.

In 2023, investment in innovation and R&D amounts to 5,36% of revenues.

The Trencher division continued to develop the electric e-sidecut, the design of which was presented to the public at the SaMoTer 2023 exhibition in Verona at the beginning of May. Developments over the following months led to the completion of a demo version of the product, which was used for the first customer demonstration in France last November. The Stringing equipment division launched the PES500 model, a full electric stringing equipment machine, at two events dedicated to the North American market (The Utility Expo and Lineman's Rodeo). In line with the Group's sustainable vision, the rail division also presented a new *green vehicle* at Expo Ferroviaria in Milan. The APLA100-e model is dedicated to the construction and maintenance of the catenary wire system and is fully battery powered. The Energy Automation division develops solutions intrinsically committed to environmental sustainability in that they enable the integration and management of renewable energy sources and the streamlining of power networks.

The research and development activity is **carried out internally** through **dedicated structures** in that it is considered strategic for the Group and constitutes one of its main success factors.

The Tesmec Group holds 29 patents and 7 registered patents.

Partnerships and collaborations

Collaboration agreements with universities and research institutes are of key importance for the Group because they lay the foundation for overcoming innovation challenges with a systemic approach. The fundamental objective is to further strengthen the network of collaborations with leading **scientific institutions** in order to create an ongoing synergy.

As part of its research activities, Tesmec collaborates mainly with the University of Bergamo, the Politecnico di Milano, the Politecnico di Bari, the University of Padova and the University of Cassino and Lazio Meridionale.

To carry out its Research and Development projects, the Group also relies on the technical, technological and scientific skills of highly qualified **private partners** who provide the Tesmec Group with services and know-how essential to the achievement of project targets.

Digital transformation

Digitalisation has become strategically important in the current economic scenario. The main digital trends concern **pervasive connectivity**, the **key role of IoT**, **extended supply chains**, **cybersecurity** and an abundance of **information** resulting in Big Data management issues.

The development of a digital strategy for the Tesmec Group includes the **digitalisation of products and services** as well as of the information surrounding them. The digital transformation drives the implementation of new technologies that enable the innovation of products and solutions and the proposition of new business models in response to rapid market changes, competitive scenario and customer expectations and requirements. Tesmec's culture of innovation extends to global supply chains.

Tesmec's investments in research and development focus on digitalisation for **predictive maintenance**, data management for the highest **safety standards** and **infrastructure diagnostics**. There is a "digital transformation" in all of the Group's business areas. The implementation of certified solutions in the field of smart grids and IT security, the development of digital platforms and innovative systems for the mapping of underground services are an integral part of this.

The challenges posed by **renewable sources**, the **digitalisation of networks** and the sustainable management of **energy requirements** require a high level of competence in digital electronics and electrical measurement. In this context, Tesmec was among the first manufacturers to offer the market the most advanced technological solutions, not only in response to current regulatory obligations, but also in the development of systems with sophisticated automation algorithms for network operation, tested with the main TSOs (*Transmission System Operators*) and DSOs (*Distribution System Operator*), in compliance with the most advanced cyber-security criteria.

Tesmec has integrated a digital ecosystem into its **stringing equipment** machine range that not only enhances operation, but also actively contributes to an intelligent and reliable working experience. The **digital suite** improves the use of machines and equipment on site, enabling real-time monitoring of all key information (performance, tension power, engine status), remote technical support to reduce downtime and predictive maintenance for an active and efficient site, resulting in fewer breakdowns and less unscheduled maintenance.

In the **rail** segment, investments in artificial intelligence and machine learning are expanding the solution portfolio to include advanced systems and platforms for secure and efficient data management.

In the digital panorama of the excavation (**Trencher**) industry, Tesmec relies on digital innovation to offer advanced services to its customers:

- TrenchTronic 5.0, electronic control system for automatic digging and self-diagnostics;
- TrenchIntel, an automatic 3D GPS driving system that automatically controls the machine's steering, trajectory and digging depth with extreme precision;
- Re.M (Remote Monitoring), remote monitoring and reporting system;
- SmartTracker, "as built" data logger.

The Group is studying solutions to optimise the process of locating and classifying underground services in support of excavation works. The operation is now based on images and data provided by software, following a GPR (ground penetrating radar) scan of the ground to be excavated. The duration and accuracy of the operation depends very much on the experience of the operator. To reduce this dependency, R&D is investigating an artificial intelligence (AI)-based software system that can automate much of the process.

4.2 Governance

4.2.1. Corporate Governance and Code of conduct on corporate governance

GRI Standards	2-9; 2-10; 3-3; 405-1

The Corporate Governance Code and the Report on Corporate Governance

The Tesmec Group conforms, with additions and adjustments resulting from the characteristics of the Group, to the **Corporate Governance Code** for listed companies approved in 2020 by the Committee for Corporate Governance promoted by Abi, Ania, Assogestioni, Assonime, Confindustria and Borsa Italiana, which came into force as from 1 January 2021 (previously known as the Self-Regulatory Code of Conduct). The companies that adopt the Corporate Governance Code inform the market of it in the report on corporate governance to be published in 2023.

The "Report on corporate governance and ownership structure" contains a general description of the corporate governance system adopted by the Group and shows the information on ownership structure and compliance with the codes of conduct on corporate governance, including the main governance practices applied and the characteristics of the risk management system and of the internal audit in relation to the process of financial reporting. The Report is enclosed with the annual financial statements and subject to the same disclosure deadlines as the financial statements themselves, and is available on the website www.tesmec.com, in the Investors-Governance-Report section.

For information on the corporate offices held by the Company's Directors, please refer to the *Report on Corporate Governance and Ownership Structures*. For the members of the Board of Statutory Auditors (three statutory auditors and two alternate auditors), the complete and updated list of the corporate offices is published by CONSOB on its website, pursuant to Article 144-*quinquiesdecies* of the Issuers' Regulations.

The governance system

Tesmec adopts a traditional management and control system

Shareholders' Meeting	Decisions on the acts of management of the Company, in accordance with the Law and the Articles of Association.
Board of Directors	Person in charge of managing the business. Granting of operational powers to bodies and delegated subjects.
Board of Statutory Auditors	Called upon to supervise compliance with the Law and the Articles of Association and compliance with the principles of correct administration, as well as to control the adequacy of the organisational structure, the internal control system and the Company's administrative-accounting system.
Independent Auditors	In charge of auditing and providing an opinion on the financial statements pursuant to the Law and Articles of Association.
Director	In charge of the Internal Control and Risk Management System

The Board of Directors of Tesmec S.p.A. was appointed by the Shareholders' Meeting on 21 April 2022 and will remain in office until approval of the financial statements for the year ended 31 December 2024: it consists of 10 members, of whom 4 independent meet the requirements of the regulations in force.

Board of Directors - Diversity (gender - age groups)					
Women No. 4	40%	Men No. 6	60%	Total No. 10	100%
Under 30 years of age No. -	-%	Between 30 and 50 years of age No. 5	50%	Over 50 years of age No. 5	50%

4.2.2 Governance and sustainability

GRI Standards	2-11; 2-12; 2-13; 2-14; 2-15; 2-16; 2-17

The role of the Board of Directors

The Board of Directors guides the Company by pursuing its sustainable development, which consists in the creation of long-term value for the benefit of the shareholders and all stakeholders.

The Board of Directors defines the strategies of the Tesmec Group monitoring their implementation, as well as the corporate governance system that is most functional to the carrying-out of the company's activities and the pursuit of the strategies, in compliance with the law, evaluating and promoting the appropriate changes, submitting them, when applicable, to the shareholders' meeting.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company and is granted all the powers required for the implementation and achievement of the corporate purposes that are not strictly reserved to the Shareholders' Meeting by law or by the Articles of Association.
The Board of Directors has a key role in developing, approving and updating the organisation's purpose, value or mission statements, strategies, policies and objectives related to sustainable development, and processes for identifying and managing their impacts.

The commitments and policies of the Tesmec Group are periodically reviewed by the Board of Directors, in order to strengthen the control unit of competences and responsibilities with regard to sustainability topics, which are an integral part of business management.

In the challenge of decarbonisation and electrification, energy infrastructure becomes the most important factor in sustainable development, and Tesmec confirms its willingness to be one of the enablers of this era of green transition. As a result, the Board of Directors directs the development and management of the business in order to strengthen knowledge and skills in this area. In this process, Board members are supported in their decision-making process by the Control, Risk and Sustainability Committee.

Two Committees have been set up within the Board of Directors.

Control, Risk and Sustainability and Related Parties Transactions Committee	Remuneration and Appointments Committee
Expertise in sustainability. Its role is to support the Board of Directors in analysing topics relevant to long-term value creation and in assessing the sustainability report (NFS).	It proposes and advises the Board of Directors on the remuneration of directors and executives with strategic responsibilities and on the setting of performance targets for the variable component.

For further information on the highest governance body and its committees, please refer to the Report on corporate governance and ownership structure, the Policy on diversity relating to the formation of the administration and control bodies of Tesmec S.p.A. and the Regulations of the Board of Directors published on the website at www.tesmec.com.

The **Chairman and the Chief Executive Officer**, Ambrogio Caccia Dominioni, is the person who is chiefly responsible for managing the Issuer (Chief Executive Officer).

The Chairman of the Board of Directors has also been granted operational proxies as Ambrogio Caccia Dominioni is one of the figures who have contributed decisively to the development of the Group, with many years of experience in the Group's field of operation. Ambrogio Caccia Dominioni has an important role in the management of the Tesmec Group's business and represents an important resource for the Group.

The Company Secretary's Office keeps the mapping of Related Parties up to date on the basis of information received by the Company or otherwise available. Prior to entering into a transaction, the Function Manager determines whether the counterparty is a related party based on this mapping and, if so, whether the transaction involves small amounts.

The Board of Directors of the Company or the competent delegated body approves the Related Party Transactions, subject to the reasoned and non-binding opinion of the Committee for Related Party Transactions, on the interest of the Company to carry out the Transaction as well as on the convenience and substantial correctness of the relevant conditions.

For more details on how to manage conflicts of interest, please refer to the Procedure for Related Party Transactions published in the Related Party Transactions section of www.tesmec.com.

The proxy process and the organisational structure

The governance system of the Tesmec Group provides that the Board of Directors delegates part of its management powers to the Chief Executive Officer in matters of representation, management of personnel and labour relations, administrative management, signing of contracts and deeds and financial management.

The sustainability topics defined by Italian Legislative Decree no. 254/2016 environmental, social topics relating to personnel, respect for human rights, anti-corruption and bribery matters) are managed at a high level centrally by the respective functions (General Counsel, Senior HR Manager, QHSE Manager, Purchasing Manager and Company Management), supported operationally by reference figures in the various Countries in which the Group operates.

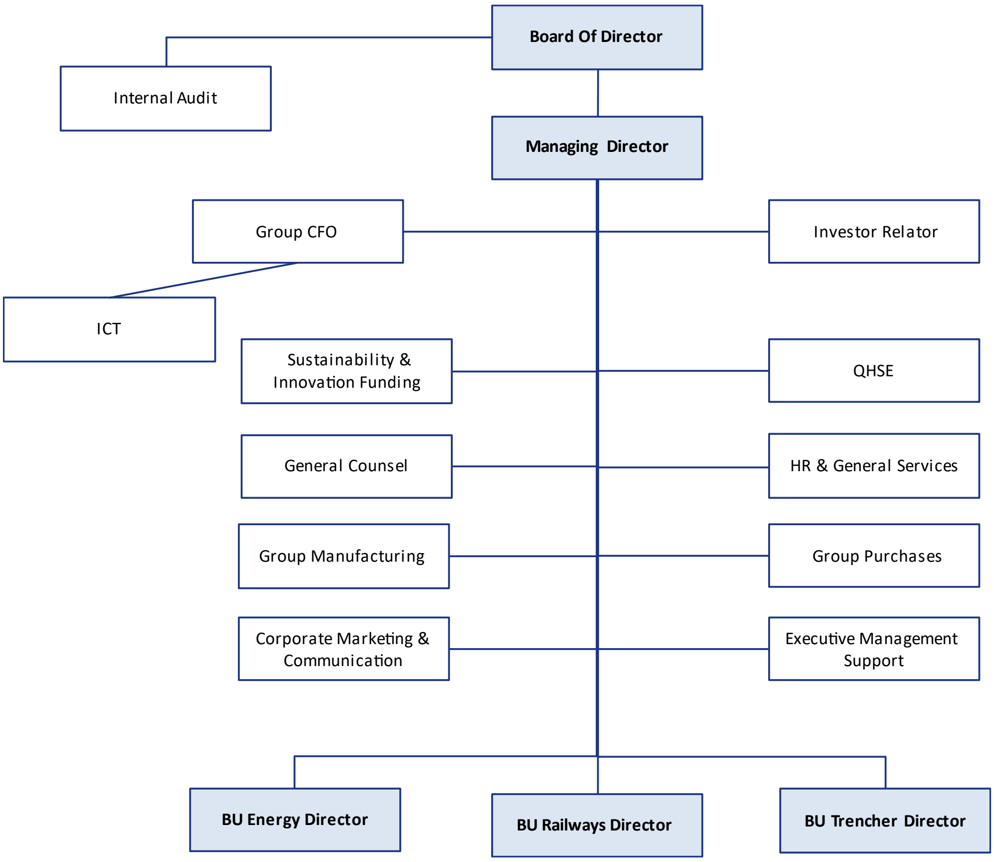
The management of sustainability governance of the Tesmec Group is part of the wider framework of the Corporate Governance function. The roles of governance bodies in relation to these issues are formalised in internal regulations. In particular, the following functions and bodies are involved in the management and monitoring of ESG issues:

Board of Directors	It plays a key role in defining, approving and updating the sustainability strategy, identifying sustainable development objectives and monitoring ESG management processes.
Control, Risk and Sustainability Committee	It supports the Board of Directors in managing the sustainable development strategy.
Sustainability Function	It reports directly to the Chairman and is responsible for the Sustainability Policy. It develops and strengthens the sustainability reporting system with the support of the relevant corporate structures.
QHSE function	Responsible for the quality of production processes, environmental protection and safety at work. Function delegated to the protection of the environment according to Italian Legislative Decree no. 152/06.
HR function	Responsible for the management of professional relations, selection activities, training and wage policies and social responsibility activities.
Internal Audit and Corporate Governance Function	It verifies the functioning and adequacy of the internal control system and assesses whether the Company's activities are carried out in accordance with laws and regulations.
Purchasing Function	Responsible for supply chain management and procurement.

Organisational structure

Tesmec S.p.A.'s organisational structure was developed with a view to optimising the centralised service provision processes and ensuring the Management and Control function between the parent company and the subsidiaries, with the aim of ensuring coordination between the various Group entities by defining the principles of business organisation, process management and resource management.

The organisational configuration envisages:
- Three **Business Units** (Energy, Rail and Trencher) able to transfer full responsibility for results to the business and equipped with all decision-making and operational levers;
- Group/subsidiaries, present in the different countries in which Tesmec operates and falling into the three Business Units, ensuring commercial development and growth;
- Staff Structure with the role of controlling and guiding the Group's strategic guidelines.



Sustainability reporting

The materiality analysis and the list of material topics are validated by the Control and Risk, Sustainability and Related Parties Transactions Committee and approved by the Board of Directors. The Board of Directors also approves the Tesmec Group's Non-financial Statement at the same time as it approves the financial statements and consolidated financial statements.

The management of critical concerns

As part of his responsibilities, the Chief Executive Officer - duly informed by the delegated functions - reports to the Board of Directors at least quarterly on any ESG/sustainability issues that have arisen in the carrying out of his activities, so that appropriate action can be taken.

The Internal Audit function informs the Chairman of the Control, Risk and Sustainability Committee and the Chief Executive Officer of any critical concerns that may have an impact on the Internal Control and Risk Management System through meetings held at least quarterly.
The Head of the Internal Audit Function reports issues to the Board of Directors by:

- Sharing audit reports: to complete the audit activities, the Internal Head of the Internal Audit Function prepares detailed reports highlighting critical concerns, risks and recommendations. These reports are shared with the Director in charge of the Internal Control and Risk Management System.
- The Report on Audit Activities is prepared and shared with the Control, Risks and Sustainability Committee and the Board of Directors at least on a quarterly basis.

Moreover, in the case of Spot Audits, Special Audit Reports are prepared and shared, which contain urgent or important critical concerns that require the immediate attention of the Company's highest governance body.

In the reporting period (2021-2023), no critical concerns were received by the highest governance body.

4.2.3 Remuneration policies and performance appraisal of the Board of Directors

GRI Standards	2-18; 2-19; 2-20; 2-21

The Board of Directors assesses on a regular basis the effectiveness of its activity and the contribution made by its individual components through formalised procedures whose implementation it supervises. On an annual basis, the Board carries out a self-assessment of its own and its Committees' size, composition and actual operation (also considering the role played by the Board in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system). This self-assessment consists of the anonymous completion by each Director of a specific questionnaire through which the adequacy of the size, composition and actual operation of the Board itself and its Committees are assessed in a uniform manner over the three years of the Board's term of office. The results of the questionnaires are then examined by the Remuneration and Appointments Committee acting as Appointments Committee, and by the Board of Directors.

The Board of Statutory Auditors also carried out the self-assessment aimed at verifying the suitability of its standing members and of the Board as a whole, as set forth in the "Rules of Conduct of the Board of Statutory Auditors of Listed Companies" issued by the National Institute of Chartered Accountants. The Board of Statutory Auditors therefore informed the Company's Board of Directors that said preliminary activity did not bring to light any deficiencies regarding either each standing member or the Board's composition.

The composition of the Board of Statutory Auditors is adequate to ensure the independence and professionalism of its function. The Board of Statutory Auditors verified whether the independence requirements of the Auditors were still met, on the basis of the criteria provided for by the law and by the Corporate Governance Code and sent the outcome of these checks to the Board of Directors; it also complied with the limit on the number of offices provided for by the Articles of Association and by Article 144-terdecies of the Issuers' Regulations, fulfilling – where required – CONSOB's reporting obligations during the year.

The Board of Directors annually defines and reviews the remuneration policy on proposal of the Remuneration and Appointments Committee, which is subject to a binding vote of the Ordinary Shareholders' Meeting.
The Remuneration and Appointments Committee is in charge of the correct implementation of this policy, in performing its functions, as well as the Chief Executive Officer and the Board of Directors. The Board of Statutory Auditors is responsible for supervising the actual implementation of the Policy.

The Remuneration Policy contributes to the Company's strategy, the pursuit of the Company's interests, including long-term, and sustainability, illustrating the way in which it makes this contribution and taking into account the remuneration and employment conditions of the Company's employees. This Policy serves to attract, motivate and retain resources with the professional qualities required to pursue the Company's objectives. The Policy serves also as a means to align the interests of the management and of the shareholders, through the creation of a strong relation between remuneration and individual performance. The aim of the Policy is to create sustainable value in the medium to long term for the Issuer, the shareholders and all the stakeholders, as well as to ensure that the remuneration is based on the results actually obtained.

For non-executive directors, the Remuneration Policy envisages a remuneration that is adequate to the competence, professionalism and commitment required by the tasks assigned to them within the management body and in board committees; this remuneration is not linked to the economic results achieved by the Company.

When determining remuneration and each of its components, the Board of Directors will take account of the specific contents of the delegation of powers assigned to each executive director and/or of the functions and of the role actually carried out by each executive director within the company, making sure in this way that the estimate of any variable component is consistent with the type of tasks assigned to them.

The criteria used to determine remuneration are as follows:

- the indications on the consistency between the elements underlying the calculation of the remuneration and the set objectives;
- the correct balance between the fixed and variable component must be in accordance with the strategic objectives and with the risk management policy of the Company, also taking account of the sector in which it operates and the nature of the business practically carried out;

- the performance targets – i.e. the economic results and any other specific target – to which the disbursement of the variable components is related are predetermined, measurable and related to the creation of value for shareholders in the medium-long term.

The Shareholders' Meeting held on 20 April 2023, in accordance with the regulations in force, approved the Remuneration Policy for the 2023 financial year described in Section I of the report on the policy of remuneration and compensation paid published in 2023, with 96.5% of the attendees voting in favour, substantially in line with that obtained at previous Shareholders' Meetings.
The vote was thus almost unanimously in favour, rewarding accordingly the remuneration policy for the 2023 financial year.

In 2023, the ratio of the annual total remuneration of the person receiving the maximum remuneration to the annual median remuneration of all employees (excluding the aforementioned person) was 13.8. Compared to 2022, there was no change in the remuneration of the highest-paid individual and thus no change in the ratio to the median of all employees.

4.2.4 Regulatory compliance

GRI Standards	2-27

In the reporting period (2021-2023) there were no disputes or cases of non-compliance with laws and regulations. No significant sanction of this nature was received in the period 2021-2023 and no significant proceedings was reported in this regard.

Please refer to Chapter *4.6.1 Human Resources and Policies Management* for more details on a case of alleged discrimination rejected by the Court, for which Tesmec USA Inc. has agreed a settlement agreement.

4.2.5 Participation in external initiatives and memberships

GRI Standards	2-28

Tesmec S.p.A. has been a member of Confindustria Bergamo since 1997 and of Confindustria Lecco e Sondrio since 2008.
Tesmec Rail S.r.l. has been a member of Confindustria BARIBAT since 2014 and Tesmec Automation S.r.l. has been a member of Unindustria Roma-Frosinone-Latina-Rieti since 2020.

Since September 2023, Tesmec Automation has been a member of a working group promoted by ANIE Automazione, an association of the ANIE Federation, whose aim is to disseminate the requests of companies providing technological solutions for automation in terms of sustainability from an ethical, social, environmental and economic point of view. During 2024, the working group will implement training and information projects for members such as newsletters, conferences and workshops.

4.2.6 Relations with Stakeholders

GRI Standards	2-29

Stakeholders are individuals or groups who have interests in, expectations of a company or who could be positively or negatively affected by its activities. An interest (which can also be understood as an equity investment) is something of value to an individual or a group. Not all interests are equally important and not all should be treated equally. Human rights require special attention because they represent the rights of all people under international law. The most serious impacts a company can have on people are those that negatively affect human rights.

Stakeholder identification and management are important because they enable us to better understand the needs, expectations and concerns of stakeholders, and to develop relationships based on trust and mutual understanding. This can help increase appreciation, reduce reputational risks and create shared value for all stakeholders involved.

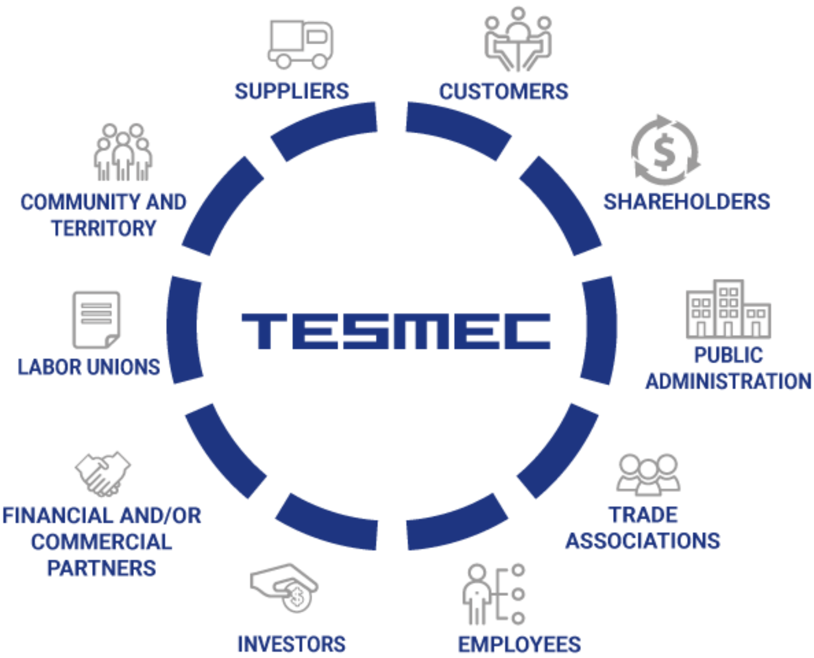
Companies create, develop and maintain relationships with their stakeholders over time, using tools and systems designed to strengthen these relationships and thereby improve their competitive position and ability to create and distribute value over time. Stakeholder engagement is a structural activity aimed at understanding the interests, expectations and needs of stakeholders in order to facilitate a more effective and informed decision-making process that can enable appropriate strategic planning and the achievement of business objectives.

The presence of the Group on the national, European and international market makes the dialogue with stakeholders very relevant, and it is based on the criteria of fairness, collaboration, loyalty and mutual respect. This dialogue is on rules of behaviour, summarised in the acronym SPEED, such as:

- **Safety and ethics:** Tesmec's goal is to guarantee the highest safety standards with a sense of responsibility for oneself and others;
- **Performance improvement guidance for oneself and for the company**: it is the ability to pursue personal and group goals and improve performance;
- **Empowerment for continuous improvement:** improving the products and services offered by setting ambitious goals;
- **Enthusiasm, passion, commitment and self-motivation**: working with enthusiasm and pleasure;
- **aDaptability**: resilience by adapting plans and behaviours to respond to the changing environment.

The Group pays constant attention to the needs and expectations of its stakeholders in that it is considered a fundamental approach to increasingly direct the business to non-financial issues.

Main stakeholders of Tesmec



Stakeholders were identified taking into account the sector to which the Tesmec Group belongs, business model, existing relationship system and geographical presence. In the process of identifying material topics, the interests of stakeholders who are or could be affected by the Group's activities were taken into account.

The main stakeholders of the Tesmec Group include employees, customers, shareholders, community and territory, suppliers of goods and services, financial and/or business partners, trade and environmental associations, trade unions and the Public Administration.

In order to promote an open and constant dialogue with all its Shareholders, and in compliance with what is recommended in this regard by article 1, Recommendation 3, of the Corporate Governance Code the Company complies with, at the meeting of 11 March 2022, the Board adopted, at the suggestion of the Chairman and Chief Executive Officer, the "Policy for the management of dialogue with all Shareholders", which explains the general principles, the management methods and the main contents of the dialogue between the Tesmec Group and its Shareholders.

The Group improves the active involvement of its stakeholders in different ways on a regular basis. The table below shows the main engagement activities, the relevant channels used over the years and topics that may have emerged from each stakeholder group during the involvement phase.

Stakeholder	Type of involvement activity	Topics/expectations expressed by stakeholders
Shareholders	Virtual Shareholders' Meeting	Approval of financial statements/Strategic plan
Investors	IR events & Video conference	Presentation of company results/Strategic plan
Financial and/or commercial partners	Events/Webinars	Presentations of new projects
Employees	Internal communications	Involvement in company life
Labor unions	Trade union meetings	Working conditions, welfare, performance bonus
Customers	Trade fairs/Online events/Newsletters	Presentations of new products and initiatives
Suppliers	Trade fairs/Online events/Newsletters	Presentations of new products and initiatives
Public Administration	Public events/meetings	Development of the territory, employment, taxation
Community and Territory	Specific projects	Solidarity initiatives
Trade associations	Conferences/Seminars	Coordination and development

During 2023, the Tesmec Group engaged its stakeholders on topics related to sustainability by participating in sector seminars and events and organising meetings with partners and associations. There were several opportunities to discuss relevant topics in the field of sustainable innovation. On these occasions, the Group confirmed its innovation strategy focused on electrification, automation and digitalisation to ensure safer technological solutions with minimal environmental impact.

ESG issues and sustainable business activities are central topics in the **events** Tesmec attends. The NAPEC 2023 trade fair (13-15 November), dedicated to the development of North Africa and the Mediterranean, discussed the transition and energy efficiency to implement a decarbonisation process. In support of these objectives, Tesmec highlighted how the trencher range ensures a reduction in CO_2 emissions through a reduction in the number of vehicles used and efficient site management. The creation of a sustainable future was also a debating point at the biennial meeting organised by CIRED in June 2023, where the world's leading energy distributors discussed promoting the use of renewable resources. The same theme was addressed during the K.EY event where Tesmec promoted the Central Plant Controller (CCI) solution for renewable generation plants. The Group has seized these opportunities to promote its technological solutions, which are inherently designed to improve operational efficiency and maximise productivity, while reducing costs and environmental impact.

During 2023, the Group also cultivated relationships with its stakeholders through **dedicated meetings and new collaborations**. The Group organised **Openhouse** and hosted events such as "**Pomeriggio Intellimech**" with the aim of creating moments of discussion with partners and customers. Intellimech is a private consortium of large, medium and small companies dedicated to interdisciplinary research in the field of mechatronics. During "Pomeriggio Intellimech", the almost 70 guests from some of the region's leading companies discussed strategy, knowledge management systems (KMS) and tools to make and keep knowledge accessible within organisations.

The two "**Energy Days**" organised at Tesmec's headquarters were all about discussion. The event was attended by leading Italian contractors and customers, with whom roundtable discussions were held on sustainability, efficiency and safety on site.

In addition to these initiatives, Tesmec organised other **meetings with stakeholders**, especially with its own employees, on issues related to business and market trends, and intensified dialogue with investors and analysts through participation in events such as the Euronext STAR Conference organised by Borsa Italiana and other meetings promoted by major financial intermediaries.

4.3 Strategy - commitments - policies

4.3.1 Tesmec's commitment to sustainable development

GRI Standards	2-23; 2-24

The Tesmec Group operates in **strategic sectors for the development and modernisation** of countries and economies. The Tesmec Group's commitment to sustainability is therefore directly linked to its role and business model, as outlined in paragraph 4.1, and is in line with the trends that guide its strategy as a Solution provider.

The technological solutions that the Tesmec Group offers are aimed at enabling customers and user production chains to reduce the negative environmental impact of their activities (products with low environmental impact), thus contributing to sustainable development throughout the supply chain.

The Sustainable Development Goals (SDGs)

In 2015, the United Nations approved the 2030 Agenda, which consists of 17 Sustainable Development Goals (SDGs), within an action programme with environmental, economic, social and institutional targets to be achieved by 2030. Taking into account its business model, activities and relevant sustainability issues, the Tesmec Group has identified certain SDGs as priorities in terms of commitment and contribution to their achievement:

4 QUALITY EDUCATION

SDG 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Quality education: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

7 AFFORDABLE AND CLEAN ENERGY

SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all

Affordable and Clean Energy: promoting initiatives to optimise the Group's energy consumption by reducing it and favouring the use of renewable sources.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Decent work and economic growth: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Protect the right to work and promote a healthy and safe working environment for all workers.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Industry, Innovation and Infrastructure: supporting infrastructure innovation to make it safer and sustainable through advanced technological solutions that allow to have a lower impact on the environment.

10 REDUCED INEQUALITIES

SDG 10 Reduce inequality within and among countries

Enhance and promote the social, economic and political inclusion of all, regardless of age, gender, disability, race, ethnicity, origin, religion, economic or other status. Ensure equal opportunities and reduce inequalities in results.

SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable

Sustainable Cities and Communities: supporting the dissemination of green technological practices and solutions for cities and environments.

SDG 12 Ensure sustainable consumption and production patterns

Responsible Consumption and Production: optimising responsible consumption and production at all Group production sites through initiatives aimed at improving the life cycle of products, encouraging the use of more sustainable materials and promoting the reuse and recycling of materials.

SDG 13 Take urgent action to combat climate change and its impacts

Integrate climate change measures into policies, strategies and planning.

Further details can be found in the Group's Sustainability Policy, which is published on the Company's website.

4.3.2 The Sustainability Plan – Guidelines

GRI Standards	2-23; 2-24

The Sustainability Plan is a tool with which a company communicates its sustainability strategy to stakeholders through the definition of strategic guidelines, medium-long term objectives and possible actions to be implemented to achieve them, integrated with the Group's business plan.

The Plan enhances the company's commitment to developing economically, socially and environmentally responsible business throughout the value chain in order to create positive impacts and minimise negative ones, generate value for both the company and all stakeholders and improve reputation.

During 2021, with the aim of promoting and disseminating the principles of responsibility and sustainability, the guidelines of the Sustainability Plan were drawn up.

The work was divided into the following phases:

- Benchmark analysis
- Definition of contents and structure of the plan
- Definition of the guidelines of the sustainability plan

First, a benchmark analysis was carried out on a predefined set of peers/competitors as part of the Sustainability Plan and the reference context through which the main sustainability priorities identified by the sector peers were identified.
Subsequently, an analysis of the "as is" situation and of the Group's strategic lines of development was carried out in order to identify the most relevant areas on which to focus the drafting of the Sustainability Plan.

In cooperation with the heads of the relevant function managers, the Sustainability function identified areas for improvement and related projects. In detail, the functions involved discussed the following topics:

- Research & Development & Innovation
- Governance and Business Ethics
- Supply chain
- Health, Safety & Environment
- Marketing and customer relationship
- Human resources and activities for the territory

Strategic sustainability guidelines were then defined with a view to creating value for stakeholders in the medium to long term to be included in the Sustainability Plan. In particular, Tesmec Group's strategic guidelines in terms of sustainability and ESG approach cover the following priorities:

- Environment, focus on Products: measuring and increasing the share of green & digital technology solutions. Directing product development activities towards an increasingly sustainable innovation, with a special attention to the electrification of equipment to minimise environmental impact, to the IoT & diagnostics to increase infrastructure safety and to the optimisation and digitalisation of networks for the efficient use of energy resources.
- Environment, focus on Processes: promoting the circular economy and integrating environmental aspects into business processes in order to properly manage the use of resources, promoting the reduction of direct and indirect environmental impacts, encouraging sustainable procurement policies for products and services.
- Social, focus on Human Resources and Stakeholders: enhancing the human capital and well-being of employees, ensuring a safe and inclusive working environment. Ensuring the development of skills and competences through recruitment, training and professional development based on fairness and merit, combating all forms of discrimination. Strengthening the relationship with the territory by supporting the community through active participation in charitable and voluntary initiatives.
- Governance, focus on Sustainability governance: designing effective sustainability governance for the coordination, management and monitoring of actions planned to achieve the SDGs. Constantly undertaking to carry out the company business in compliance with the highest ethical standards, operating in compliance with the applicable laws and regulations.

This was followed by a phase of mapping and identification of proposals in terms of sustainability goals, also through meetings with the main stakeholders involved in defining the contents of the Sustainability Plan.

On 5 November 2021, the guidelines of the sustainability plan were assessed by the Control, Risk, Sustainability and Related Party Transactions Committee, which verified their consistency with the Group's strategy and expressed its opinion to the Board of Directors that approved them.

In 2023, following an updated analysis of the relevance and prioritisation of Tesmec's commitment to the SDGs (Sustainable Development Goals) and its contribution to the environmental objectives defined by the European Union's Taxonomy of Sustainable Activities, some changes were made to the Sustainability Policy, which was revised and approved by the Board of Directors on 8 March 2024.

Market Driver	Key topic	Focus on	Guidelines	ESG commitments	SDGs
	R&D & Innovation	Technologies & Products	Increase "Green & Digital" revenues	▪ Alignment with the Taxonomy Regulation	
Digitalisation & Security	Climate change mitigation	Business Processes	Reduce emissions & environmental impact	▪ Environmental impact of products & services ▪ Environmental impact of business processes	
Sustainable Innovation	Human Resources & local communities	Employees & Stakeholders	Invest in people & the well-being of local communities	▪ Health & Safety ▪ Welfare ▪ Training	
Energy Transition	Governance	Corporate Governance	Work on effective sustainability governance	▪ Business Ethics ▪ Human rights ▪ Sustainable procurement ▪ ESG risk assessment	

4.3.3 Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001

GRI Standards	2-23; 2-24; 2-25; 2-26

The Board of Directors of Tesmec S.p.A. (resolution of 23 February 2010) adopted the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 (Model 231) aimed at ensuring fair and transparent conditions in running the company business, to protect its own position and image and those of the companies of the Group, the expectations of its own shareholders and the work of its own employees.
The Model, as approved by the Board of Directors of the Company, consists of the following elements:

- procedure for identifying the business activities in which the offences referred to in Italian Legislative Decree no. 231/2001 can be committed;
- forecast of control protocols (or standards) in relation to the identified sensitive activities;
- procedure for identifying the methods of managing financial resources suitable for preventing the commission of offences;
- Supervisory Body;
- information flows to and from the Supervisory Body and specific duties of disclosure towards the Supervisory Body;
- disciplinary system designed to penalise the violation of the provisions contained in the Model;
- training and communication plan for employees and others who interact with the company;
- criteria for updating and adapting the Model.

The document "Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001" contains:

- in the general part, a description of:
  - the regulatory framework of reference;
  - the real nature of the company, governance system and organisational structure of the Company;
  - the method adopted for risk assessment and gap analysis activities;
  - the characteristics of the Supervisory Body of the Company, specifying its powers, tasks and information flows;
  - the function of the disciplinary system and the related penalty system;
  - the training and communication plan to be adopted in order to ensure awareness of the measures and provisions of the Model;
  - the criteria for updating and adapting the Model;
- in the special part, a description of:
  - the types of offences referred to in Italian Legislative Decree no. 231/2001 that the Company has decided to take into consideration due to the characteristics of its business;
  - sensitive processes/activities and related control standards.

The Supervisory Body (hereinafter referred to as the "Supervisory Body" or "SB") of the Company is a body composed of three members identified on the basis of their professional expertise and personal characteristics, such as a marked ability to control, independence of judgement and moral integrity.

Model 231, of which the Code of Ethics is an integral part, is a set of principles, rules, provisions, organisational schemes and related duties and responsibilities, required for the implementation and efficient management of the monitoring and control system of sensitive activities, in order to prevent the commission or attempted commission of offences by Company employees.

The Model 231 and the Code of Ethics are the tool through which Tesmec defines the values, principles and responsibilities in order to maximise Tesmec's own efficiency, reliability and reputation, key factors for its success and for improving the conditions in which the Company operates.

Model 231 is kept up to date in order to implement the regulatory innovations and corporate organisational changes of Tesmec S.p.A., taking into account, in particular:

- of the corporate organisational changes of Tesmec S.p.A.;
- of the results of the supervisory activities and those of internal audit activities;
- of the evolution of the regulatory framework and the Confindustria Guidelines.

As part of the constant updating aimed at implementing regulatory innovations and company organisational changes, the Board of Directors of Tesmec S.p.A. approved the latest version of Model 231 on 5 August 2021.

The Subsidiaries Tesmec Rail S.r.l. and Tesmec Automation S.r.l. have adopted their own Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 also aimed at ensuring fair and transparent conditions in running the company business to protect all stakeholders of the Company, modulated to reflect the specific characteristics, by resolution of their respective boards of directors on 19 December 2019 and 18 November 2019. Also as part of the constant updating aimed at implementing regulatory innovations and company organisational changes, the Board of Directors of Tesmec Rail S.r.l. and Tesmec Automation S.r.l. approved the latest versions of their respective 231 models on 29 October 2021.

In compliance with Italian Legislative Decree no. 231/2001, Italian Law no. 179/2017, European Directive no. 2019/1937, Italian Legislative Decree no. 24/2023 and international best practices, all employees, suppliers, contractors, customers, members of local communities can report, in accordance with the Group Whistle-blowing Policy, any fact that may damage the reputation and integrity of Tesmec and its partners, including behaviour by Tesmec employees, directors, statutory auditors, members of supervisory and control bodies, management or external parties in a relationship of interest with Tesmec that violates Tesmec's Code of Ethics, laws or internal regulations, or that may otherwise damage or harm Tesmec, even if only in terms of image.

Reports can be made verbally, by telephone, by post, by email or on Tesmec's intranet and internet sites to the Supervisory Body, even anonymously. In the case of anonymous reports, Tesmec guarantees strict confidentiality. A group of Tesmec professionals works on the reports in order to verify the information contained in them and to take the most appropriate measures (adoption of prevention, mitigation, sanctioning measures, etc.).

The Group is aware that the issue could be important for the supply chain and that specific assessments to this effect could be carried out in the coming years.

For further information on whistle-blowing systems, please refer to the "Whistleblowing" Group Policy and the "Whistle-blowing Portal" on the Group website (section "IR/Governance/Model 231/Whistle-blowing").

4.3.4 Anti-Corruption Group Policy

GRI Standards	2-23; 2-24; 2-25

The Tesmec Group has adopted a series of detailed internal procedures and policies aimed at preventing corruption of Italian and foreign civil servants by strengthening the compliance system. In particular, the Board of Directors of Tesmec has adopted the "Anti-Corruption Group Policy" and related procedure, which refer to international conventions on Anti-Corruption and in line with international best practices.

The main anti-corruption regulations in force in Tesmec relate to: Charity/Donations and Sponsorship - Personnel Selection - Entertainment Expenses - Agents and Intermediaries - Travel Expenses - Reports.

For further information on management systems, certifications and on Model 231, please refer to the Report on corporate governance and ownership structure and the Group website ("Commitment" and "IR/Governance" sections).

4.3.5 Policies and management systems

GRI Standards	2-23; 2-24; 2-25

The Tesmec Group implemented and adopted the following business management systems

ISO 9001:2015	Quality Management System, applied to the company's processes and organisation, with the aim of improving the effectiveness of the products and services provided, as well as achieving and increasing customer satisfaction
ISO 45001:2018	Occupational Health and Safety Management Systems that define minimum standards of good practice for the protection of workers. It also provides a framework for improving safety, reducing occupational hazards and improving the health and well-being of workers, thus enabling improved health and safety performance
ISO 14001:2015	An appropriate management system to control the environmental impact of its activities and systematically seek to improve it in a consistent, effective and, above all, sustainable manner
ISO 37001:2016	Management system to support the organisation in its fight against corruption and to establish a culture of integrity, transparency and compliance. The standard can be an important tool in implementing effective measures to prevent and combat corruption
ISO 27001:2017	A management system that specifies the requirements for establishing, implementing, maintaining and continuously improving an information security management system in the context of the organisation
EN 15085-2 CL4	Management system for railway applications to ensure the safety of people, the environment and the operation of equipment. Part 2 of the standard defines the certification and quality requirements for welding that the manufacturer must follow for manufacture and repair. Level CL4 refers to organisations that do not weld but design, purchase and assemble or resell railway vehicles and parts of railway vehicles
ECM	Management system in accordance with Regulation (EU) no. 779/2019 (former Regulation (EU) no. 445/2011), which aims to improve market access for rail transport services by establishing common principles for the management, regulation and supervision of railway safety, in particular by defining requirements for the training, competence and organisation of Entities in Charge of Maintenance (ECM) throughout the Union
ISO 14067:2018	Management system that specifies the principles, requirements and guidelines for quantifying and reporting the carbon footprint of products (CFP) in accordance with international standards for life cycle assessment (LCA)
AAR/M-1003	Management system that applies to new, reconditioned, repaired, modified, upgraded and second-hand materials and products for use in North American rail interchange service
IEC 62443-4-1: 2018 ML2	Management system that specifies process requirements for the safe development of products used in industrial automation and control systems.

The table below summarises the management system certifications obtained by Group companies.

Company	ISO 9001	ISO 45001	ISO 14001	ISO 37001	ISO 27001	EN 15085-2 CL4	ECM	ISO 14067	AAR/M-1003	IEC 62443-4-1: 2018
Tesmec S.p.A.	■	■	■					■		
Tesmec Rail S.r.l.	■	■	■	■		■	■			
Tesmec Automation S.r.l.	■	■	■	■	■			■		■
Tesmec USA Inc.	■								■	
Marais Laying New Zealand	■	■	■							

4.3.6 Other policies

GRI Standards	2-23; 2-24

Related-party transactions

Tesmec S.p.A. also adopts a Procedure for Related Party Transactions. The purpose of the Procedure is to ensure transparency and substantive and procedural correctness of these transactions, if not carried out at arm's length, in order to protect the interests of the Company. A conflict of interest exists when a personal interest or activity interferes or could interfere with Tesmec's assignment. According to the Group Code of Ethics, any situation that may give rise to a potential or actual conflict of interest must be reported to the line manager. The Guidelines provide for appropriate measures to ensure that decisions at all levels are not influenced by private interests and/or relationships, but are made in the exclusive interest of Tesmec; and that business agreements are entered into or continued solely on the basis of objective criteria, including the quality, price and reliability of the partner company concerned.

Environment, Health and Safety Policies

The Management of the Group also approved specific policies on Environment, Health and Safety **for all Italian Companies**, as well as **Groupe Marais SAS and Tesmec USA, Inc. and Marais Lying NZ ltd** implemented specific policies taking into account the local context. However, the Group is progressively harmonising its policies with a view to standardising processes and management wherever possible.

The aspects related to the Environment, Health and Safety at work are also included in the Special Part of Model 231 of Tesmec S.p.A., i.e. Offences relating to Occupational Health and Safety and the Environmental Offences; the relevant Special Parts identify specific sensitive areas with reference to the offences envisaged by Italian Legislative Decree no. 231/2001. Model 231 identifies specific sensitive activities, control and corporate conduct protocols relating to offences concerning Occupational Health and Safety and environmental offences included in the list of Offences pursuant to Italian Legislative Decree no. 231/2001.

4.3.7 Human rights

GRI Standards	2-23; 2-24

The Tesmec Group firmly believes that the defence and appreciation of human rights, especially in the workplace, is an indispensable prerequisite for entering into any economic and commercial relationship. Respect for human rights is considered a fundamental element in the pursuit of sustainable development.

Tesmec operates within the framework of the United Nations Universal Declaration of Human Rights, which states that "every individual and every organ of society, including companies, shall strive by teaching and education to promote respect for human rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance."

In order to uphold and promote respect for inviolable human rights, Tesmec is committed to ensuring professional relations with all its stakeholders based on respect for the fundamental guarantees recognised to all human beings by national and supranational laws, ensuring the recognition and protection of dignity, freedom and equality, the protection of labour and trade union freedoms, health, safety, the environment and biodiversity, as well as the circular and efficient use of resources and sustainable development.

Tesmec's commitment is implemented in the **Human Rights Policy** approved by the Board of Directors on 21 December 2022. The issue of respect for human rights is also addressed in the Code of Ethics, which includes the protection of human rights among its ethical principles. The Group addresses this issue in its relationships with customers and suppliers in accordance with the principles and values set out in the Code of Ethics.

In order to mitigate that isolated cases might violate human rights, Tesmec envisaged in its Code of Ethics, among the fundamental reference ethical principles, also that of "**Enhancement of human resources and personal integrity**", refusing any form of discrimination in terms of age, sex, nationality, sexuality, health status, marital status, race, political opinions, religious beliefs, etc. and any form of forced or irregular labour and exploitation of child labour, with the relevant mechanism for strengthening the culture and the penalty system that derive from it.

The reporting, monitoring and control system set out in the Code of Ethics is also in place to protect human rights.

4.4 Material topics

4.4.1 Impacts and material topics

GRI Standards	3-1

Impacts and material topics - The perspective of GRI Standards

This document is prepared by adopting the GRI Standards as the reporting standard. According to the GRI standards, **impacts** refer to the **economic, environmental** and **social** effects that a company has or could have, including those on human rights, as a result of its activities or business and trade relationships. Impacts can be actual or potential, negative or positive, short or long term, intentional or unintentional, reversible or irreversible, and represent the organisation's positive or negative contribution to sustainable development.

Impacts of different types (economic, environmental and social) are interrelated and indicate the **company's contribution, negative or positive, to sustainable development**. The most significant impacts, as identified according to the approach described in the following paragraphs, define the **Material Topics**.

The impacts of a company's activities and business relationships on the economy, the environment and people can also have a positive or negative impact on the company's operations or reputation, and therefore in many cases these impacts are also **financial** or could become so in the medium and long term. The Group will carry out the proper analysis of its financial impacts during the next financial year, in compliance with regulatory requirements.

European Union - Directive (EU) no. 2022/2464

It is noted that Directive (EU) no. 2022/2464 Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), which will be adopted by the Tesmec Group for sustainability reporting **from the next financial year 2024**, require that material topics are identified and assessed in terms of impact relevance, financial relevance or both (IRO Impact Risk Opportunities) in environmental, social and governance matters. The Materiality Analysis is the process by which a company determines the relevant information on sustainability impacts, risks and opportunities (IRO).

- Impact Materiality - Significant actual or potential impacts on people and the environment directly related to an organisation's activities, products and services.
- Financial Materiality - sustainability risks and opportunities that can affect the value of the company (in terms of financial effects).

Starting from the 2024 reporting year, Tesmec Group will implement the provisions of the EU Directive 2022/2464 (Corporate Sustainability Reporting Directive) on double-materiality, thus providing for the identification of sustainability-related risks or opportunities that affect or can reasonably be expected to affect the company’s financial position, financial performance and cash flows, access to finance or the cost of capital in the short, medium or long term.

4.4.2 The process of identifying - assessing and prioritising issues

GRI Standards	3-1

The process of identifying, assessing and subsequently prioritising material topics, carried out for the 2023 reporting as required by the GRI Standards, is applied to a dynamic context (business management), characterised by topics and associated impacts that change and evolve over time, both in nature and in impact significance, and that influence the strategy, the business model, the system of relationships and the decisions.

Understanding the context of the organisation

Please refer to what has been described in the previous paragraphs of the NFS in relation to the areas of analysis concerning Tesmec Group's scenario and reference framework, business model, business activities and relationships, sustainability context and stakeholder relationships.

Identification of actual and potential impacts

The process of identifying the actual and potential impacts of the Tesmec Group on the economy, the environment and people, including human rights, has been carried out through the analysis of external and internal sources, taking into account discussion and listening to stakeholders.

External sources - main
World Economic Forum - The global risks report 2024
World Economic Forum – Global Cybersecurity Outlook 2024
World Economic Forum – Diversity, equity and inclusion lighthouses 2024
OECD - OECD guidelines on due diligence in business conduct and other published documents
Global Business Initiative – Integrating human rights into company climate action
EU Sustainable Finance plan [EU Taxonomy focus]
ISSB International Sustainability Standards Board: IFRS-S and SASB
Benchmarking of material topics - policies - risks
Internal sources
Code of Ethics
Organisational and Management Model pursuant to Italian Legislative Decree no. 231/2001
Supplier Code of Ethics
Whistle-blowing Policy
Human Rights Policy
Integrated quality, environment and occupational health and safety policy

Assessing the significance and prioritisation of impacts

The purpose of assessing the significance of the impacts identified is to prioritise them and determine the material topics to be reported, while at the same time defining the commitments and actions needed to address the impacts, again according to a logic of significance. The significance of an impact depends on the specific conditions of a company, the sector in which it operates and its business model.

The significance of an **actual negative impact** is determined by the severity of the impact, while the significance of a **potential negative impact** is determined by the severity and likelihood of the impact. Severity is defined in the GRI Standards based on three levels: a) Scale: how grave the impact is; b) Scope: how widespread the impact is; c) irremediable character.

The significance of an **actual positive impact** is determined by the scale and scope of the impact, while the significance of a **potential positive impact** is determined by the scale and scope as well as the likelihood of the impact. In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or could be, and the scope refers to how widespread the impact is or could be.

At the end of the process, the identified and assessed impacts were prioritised according to their importance and on the basis of a threshold (threshold in a range from 1 to 5) defined for thi purpose.

The identification and assessment of impacts requires the involvement of key stakeholders, activities carried out in a systematic way, as part of the business model. Through these relationships with stakeholders, some specific engagement initiatives related to materiality analysis have been carried out, and specifically the prioritisation of impacts, contributing to the definition of the material themes of Tesmec Group. In detail, an impact assessment survey mapped from the preliminary source analysis was sent to Tesmec employees, customers and investors, with a response rate of 71%, 38% and 85% respectively. The results of the questionnaires were integrated into the management evaluations during the prioritisation phase of the impacts and the consequent identification of material issues.

The impacts identified as most significant are reported in this document.

4.4.3 TESMEC material topics

GRI Standards	3-2

The results of the activities carried out are summarised in the following table, which highlights the material topics, the underlying areas of impact (descriptions and reasons for the significance of the selected topics), the characteristics of the material topic, and the specific indicators (GRI Standards) used for reporting, which are detailed in the GRI Content Index, an integral part of this document.

The material topics are also grouped according to the ESG (Environmental, Social, Governance) classification, which is also in line with the forthcoming Directive (EU) no. 2022/2464 (CSRD).

Finally, the table also shows the connection with the sustainability reporting areas of reference for the NFS (Italian Legislative Decree no. 254/2016).

	Material topic	Impact		GRI	Areas of reference Italian Legislative Decree no. 254/2016
		Description of impacts and prevalent nature	Characteristics	Topic Standards	
E Environmental					
1	Materials and use of resources	Environmental impact of the extraction of non-renewable natural resources. Research and development of sustainable materials/products and processes. [Negative]	Actual: Use of materials for production processes Direct and through business relationships (supply chain) Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current production processes	Materials GRI 301-1	Environment
2	Energy consumption and energy efficiency	Impacts related to energy consumption for Group activities. Energy efficiency measures in production processes and the value chain (technical specifications of products and energy consumption from their use) - transition to renewable sources. [Negative]	Actual: Tesmec energy consumption Direct and through business relationships (value chain) Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current production processes	Energy GRI 302	Environment
3	Emissions and climate change	Greenhouse gas emissions and their impact on climate change. Measures to reduce emissions from production processes and the value chain (in particular from product use). [Negative]	Actual: Group emissions Direct and through business relationships (value chain) Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current processes	Emissions GRI 305-1; 305-2; 305-3; 305-4; 305-5	Environment
4	Waste and circular economy	Generation of waste from production processes and its impact on the environment. Application of circular economy principles to reduce the negative environmental impacts. [Negative]	Actual: Waste generated by Tesmec Direct: Related to direct activities only Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current processes	Waste GRI 306	Environment

Material topic		Impact		GRI	Areas of reference Italian Legislative Decree no. 254/2016
		Description of impacts and prevalent nature	Characteristics	Topic Standards	
S Social					
5	Employment and development of human resources	Promoting employment and career development - skills acquisition (training - personnel recruitment and management processes). [Positive]	Actual: Human resource management processes Direct: Related to direct activities only Short-, medium- and long-term (structural with respect to the business model) Planned in that related to the implemented processes and activities	Employment GRI 401 Training and education GRI 404	Respect for human rights Social Personnel
6	Diversity, equity and inclusion	Creating a work environment that respects and values diversity, is non-discriminatory and inclusive, and ensures equal opportunity and fair treatment. [Positive]	Actual: Human resource management processes Direct: Related to direct activities only Short-, medium- and long-term (structural with respect to the business model) Planned in that related to the implemented processes and activities	Diversity and equal opportunity GRI 405 Non-discrimination GRI 406	Respect for human rights Personnel
7	Occupational Health and Safety	Impact on the health and safety of people in the Tesmec Group. Preventive measures and systems to reduce the risk and the severity of impacts. [Negative]	Potential: Risks deriving from activities and processes Direct and through business relationships Short-, medium- and long-term (structural with respect to the business model) Planned in that related to the business	Occupational Health and Safety GRI 403	Respect for human rights Personnel
8	Product quality and compliance, health and safety of the end customer	Potential impact on the marketing and use of products if they do not meet customer requirements/specifications. Systems and processes that guarantee the implementation of products and the provision of services in line with expectations and the need to ensure user safety and transparency in business relationships. [Negative]	Potential: Non-compliance with quality standards and potential health risks for customers Direct and through business relationships Short-, medium- and long-term (structural with respect to the business model) Unintentional: Possibility of offering a non-compliant and unsafe product	Customer health and safety GRI 416 Marketing and labelling GRI 417-2	Social
9	Supply chain	Social and environmental impacts in the supply chain. Procurement processes (selection, qualification, management and monitoring of the supply chain integrating sustainability/ESG criteria and parameters). [Negative]	Actual: Management and monitoring of the supply chain Direct and through business relationships Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current processes	Procurement practices GRI 204 Suppliers Environmental Assessment GRI 308 Suppliers Social Assessment GRI 414	Respect for human rights Anti-Corruption and Bribery Matters Social Environment
10	Privacy and data protection	Impact on privacy rights (sensitive IT content) and IT system security (potential data breach)	Potential: Data breach/company and customer data violation events Direct and through business relationships	Customer Privacy GRI 418	Social

Material topic		Impact		GRI	Areas of reference Italian Legislative Decree no. 254/2016
		Description of impacts and prevalent nature	Characteristics	Topic Standards	
		[Negative]	Short-, medium- and long-term (structural with respect to the business model) Unintentional: Possibility of external attacks on ICT infrastructures		
G Governance (economic)					
11	Value generation and distribution	Ability to generate economic and financial value to ensure business continuity over time and distribution of value to stakeholders. [Positive]	Actual: Economic value generated and distributed Direct: Related to direct activities only Short-, medium- and long-term (structural with respect to the business model) Planned in that related to the business	Economic performance GRI 201-1; 201-3; 201-4	Social
12	Business integrity and ethical conduct	Impact in terms of potential consequences on business reputation and continuity arising from business conduct that is not in line with ethical and integrity criteria. Tools and processes that ensure a compliant business conduct. [Negative]	Potential: Non-compliance with ethical and integrity criteria in the conduct of business Direct and through business relationships (structural with respect to the business model) Short-, medium- and long-term (structural with respect to the business model) Planned in that related to the business	Anti-corruption GRI 205 Anti-competitive behaviour GRI 206 Tax GRI 207	Respect for human rights Anti-Corruption and Bribery Matters
13	Innovation, research and development	Investing in research, development and innovation to reduce the environmental impact of the entire supply chain and create a positive environmental and social impact. [Positive]	Actual: Development and innovation of products and services Direct: Related to direct activities only Short-, medium- and long-term (structural with respect to the business model) Planned in that related to current production processes	Topic covered by GRI 2 General Disclosure	Environment Social

4.4.4 Changes since the previous reporting period

GRI Standards	3-2

Compared to the topics identified as material in the NFS 2022, the following main changes are highlighted:
- Rationalisation and renaming of some material topics, with no change in content.
- Specific evidence of the economic material topic/Generation and distribution of value.
- The sustainability topic related to human rights is implicit in them as it is topic-wide and has therefore been highlighted as a specific topic in order to be more consistent with the GRI Standards.

4.4.5 Material topics and objectives

GRI Standards	3-3

Material topic	Objective	Actions	SDGs
Materials and use of resources	Increased efficiency in the use of key raw materials/processing components and reduction of waste	A design approach that pays particular attention to the environmental impact of a product throughout its life cycle (production, use, end of life, disposal, etc.).	8, 12
Energy consumption and energy efficiency	Efficiency of energy consumption and increasing the share of electricity from renewable sources	Increasing the supply of energy from renewable sources (guarantee of origin contracts, self-generation...)	7, 9, 11, 13
Emissions and climate change	Reducing the Group's downstream and upstream environmental impact	Development of a calculation model for emissions along the value chain (Scope 3 GHG)	
Innovation, research and development	Reducing the environmental impact of the product portfolio	Investment in R&D to expand the range of "low carbon" products (electric, hybrid, bimodal engines...)	
Waste and circular economy	Eco-friendly waste management	Improved waste management and traceability of recovery, reuse and recycling operations Information actions on prevention, recycling and reuse	12
Employment and development of human resources	Commitment to establishing stable and long-lasting employment relationships	Application of policies on employment relationships in the absence of national collective agreements	4, 8
	Development of professional skills and competences	Preparation of a training needs plan and knowledge mapping Training collaborations with institutions, schools and universities	
Diversity, equity and inclusion	Strengthening and promoting a fair and inclusive working environment	Adoption of a Diversity, Equity & Inclusion Policy Training on equal opportunities and diversity	8, 10
	Strengthening relations with local communities	Membership with social responsibility projects	
Occupational Health and Safety	Promoting a safe and healthy working environment	Membership with the WHP (Workplace Health Promotion) Project	8
	Increasing the level of safety	HSE training, promotion of discussion initiatives	
Product quality and compliance, health Safety of the end customer	Maintaining high quality standards of the solutions offered	Investment in R&D for new products that improve standards of quality, conformity and safety of use Provision of all information relevant to the use of products	12

4.4.6 Risk management

GRI Standards	3-3

In this paragraph, we outline the risk factors and uncertainties that may significantly affect the activity of the Tesmec Group. In particular, some information tending to illustrate the aims and policies of the Group on the management of the **main financial, operational and legal/regulatory risks are set out below**. This description is valid for the Tesmec Group, even if the risk management policy is decided by the Parent Company.

Tesmec implemented a mechanism for monitoring the risks in order to prevent their potential negative effects and take the actions necessary to contain them. Tesmec's risk management activity aims to promptly identify the risks in the company's core business, define suitable measures for their prevention and mitigation and safeguard operating effectiveness.

Risk management: Governance, model and process

The importance of risk control in achieving the Group's objectives makes it of primary importance to define a preliminary analysis system that is adequately structured in order to strive for a high level of operating performance. Responsibility for risk management and control activities lies with the Chief Executive Officer, who is responsible for coordinating risk identification activities and monitoring their correct management. The Board of Directors of Tesmec S.p.A. also appointed the Director in charge of the Internal Control and Risk Management System, who is responsible for identifying and managing business risks.

For Tesmec Group, corporate risk management is a fundamental element of the decision-making process, at all levels of the organisation. The importance of risk control for the achievement of the Company's objectives makes it essential to define a suitably structured system of analysis that, by identifying and monitoring risks in relation to the objectives themselves, allows the adoption of appropriate risk responses in order to strive for a high level of operational performance.

The **governance** that controls risk management is complex and is based on the corporate governance code for listed companies the Tesmec Group has complied with.

Board of Directors	The Board of Directors defines the guidelines of the internal control and risk management system in order to ensure that the main risks of the issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, and to determine the extent to which such risks are compatible with the management of the company in accordance with the strategic objectives set.
Control, Risks and Sustainability Committee	The activity of the Board of Directors is supported by the Control, Risks and Sustainability Committee: a board committee composed of independent persons, which issues opinions and reports to the Board at least every six months on the adequacy of the internal control system and risk management.
Chief Executive Officer	Operationally, the Chief Executive Officer, also in his capacity as *Chief Operating Officer* pursuant to the Corporate Governance Code, and the Vice Chairman in his capacity as co-Chairman are responsible for identifying the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries and submitting them to the Committee and the Board of Directors for review on a regular basis.
Management	The company management is responsible for identifying, assessing and managing risks in their respective areas of responsibility and in the conduct of business.

This is without prejudice to the responsibility of the **Board of Statutory Auditors** *pursuant to Article 2403 of the Italian Civil Code*, to verify any significant impact on the financial statements, including potential liabilities, and to formally certify this by means of a specific report.

The Company has also identified **concrete ways of coordinating and improving the efficiency of the activities** of the parties involved in the internal control and risk management system, planning joint **meetings** between them. In particular, the meetings of the Control, Risks and Sustainability Committee and Related Party Transaction Committee are usually attended by the members of the Board of Statutory Auditors, the Director in charge of the internal control and risk management system, the Internal Audit Function Manager and the manager responsible for preparing the company's financial statements.

The **methodology** adopted by the issuer in the management of risks at the process level was defined taking into account the **CoSO ERM Framework** standards (COSO Enterprise Risk Management Framework Integrating with Strategy and Performance) (for which no certification was deemed necessary at this time) and international best practices.

The identification of possible new risks is carried out on an annual basis against a reference Risk Model that includes external and sector factors, such as natural/environmental events, competition from different operators on the market, the trend of supplies and logistics chains, possible external unlawful acts, risks posed by the evolution of laws and regulations in the markets in which Tesmec operates, as well as internal strategic, operational and financial factors related to business processes and the management of a complex organisation such as the Tesmec Group.

The identification of new risks by management leads to the enrichment of the **Risk Register**, the tool the issuer uses to collect and describe the risks identified for the benefit of the various organisational structures on which they impact. Therefore, the risks are assessed first at the inherent level, i.e. without taking into account existing mitigation measures, then at the residual level, thus highlighting the controls required to reduce the risks to a threshold deemed acceptable and stimulating discussion on measures to be taken to reduce the issuer's risk profile. The Tesmec Group's Risk Register assesses the risks at the inherent and residual level for which mitigation actions have been identified and assigned to specific responsible parties.

Other risk assessments adopted are more specifically oriented towards compliance models, such as those carried out for the maintenance of the organisation, management and control models for the purposes of *Italian Legislative Decree no. 231/01* of the main Italian companies, as well as the identification of risks related to economic and financial reporting carried out during the **Annual Programme L262** of the Tesmec Group, alongside the risk analyses of the various quality **management models** of the issuer and its main subsidiaries. In particular, the risk assessment activity in **health, safety and the environment** launched in 2018 and updated in subsequent financial years allowed to obtain the ISO 14001 and ISO 45001 certifications for all Italian factories. The risk assessment activity was also started by the Subsidiary Groupe Marais SAS, which helped to solidify the Risk Management process of the Tesmec Group. During the year, the Control, Risks and Sustainability Committee organised regular meetings to share and review the Safety and Environment Reports and the half-yearly and annual reports of the Supervisory Body.

In this context, the **risk analysis on ESG issues** is of particular importance, carried out with the involvement of senior management and operational management, and brought to the attention of the Control, Risks and Sustainability Committee, which expresses its opinion before the material issues of the Non-Financial Statement are formally submitted to the Board of Directors.

Integration of risk management models

During 2023, the analysis was carried out to check the compliance of the internal control and risk management system of the issuer with respect to best practices and in particular with respect to the elements of the CoSO Framework, with reference to the specific area of Risk Assessment.

At the beginning of the year, the main existing risk analysis models were reviewed. Subsequently, the heads of the business units and support functions were interviewed to identify and assess the main risks of the TESMEC Group. A methodological approach in line with the Corporate Governance Code and the CoSO ERM framework has been adopted to enable effective implementation of activities.

This project is carried out in close collaboration with the Team Compliance.

Risks and material topics

The significance and subsequent prioritisation scale of an actual negative impact depends on the severity of the impact, while the significance of a potential negative impact depends on the severity and likelihood of the impact. The combination of the severity and likelihood of a negative impact defines the risk. The risk management systems adopted identify and assess the different areas and categories of risk, the economic impact, the environmental impact and the human impact.

The following table shows the main areas, categories and risks and how they are managed. The risks are also related to the topics covered by the materiality analysis and reported in the NFS.

Risk Category	Risk areas and profiles	Related NFS material topic	Summary of Policies and governance/function management method
Strategic risks	Competition	Innovation, research and development	▪ Monitoring of regulatory and case law changes. ▪ GDPR compliance; Patent registration; Adoption of NDAs for the main projects.
	Partnership - Innovation Product sustainability (impacts from use)	Emissions and climate change	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Grassobbio plant energy monitoring system; Self-production of energy from renewable sources. ▪ HSE Policy. Sustainability Policy. ▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
	Governance & Business conduct	Business integrity and ethical conduct	▪ Organisation, Management and Control Model Italian Legislative Decree no. 231/01; Group Code of Ethics; Group Anti-Corruption Policy; Whistle-blowing Policy; Procedure for Related Party Transactions. Reporting portal. ▪ Internal Auditor - Team Compliance; Supervisory Body. ▪ Annual audit programme approved by the BoD; Model 231 training activities; ISO 37001:2016 Tesmec Rail and Tesmec Automation.
Operational risks	External natural/accidental events	Emissions and climate change	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Energy monitoring system of the Grassobbio plant. ▪ HSE Policy; Sustainability Policy. ▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
	Suppliers	Supply chain	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
		Materials and use of resources	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Grassobbio plant energy monitoring system; Self-production of energy from renewable sources. ▪ HSE Policy; Sustainability Policy; Procurement Policy; Supplier qualification and valuation procedure. ▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
	Internal accidental events	Energy consumption and energy efficiency	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Grassobbio plant energy monitoring system; Self-production of energy from renewable sources. ▪ HSE Policy; Sustainability Policy; Procurement Policy; Supplier qualification and valuation procedure. ▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
		Employment and development of human resources	▪ Employee training; Partnerships with high schools and universities; Implementation of new HR management; Incentive plans; Dialogue with trade unions; Strengthening employer branding.
		Product quality and compliance, health and safety of the end customer	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
		Occupational Health and Safety	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ HSE Policy; HSE Monthly meeting; TALK meeting; Find & Fix (Italy); WHP programme. ▪ QHSE Manager; HSO and ASPP for the Italian companies of the Tesmec Group; HS training.
	Health, Safety & Environmental	Waste and circular economy	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Grassobbio plant energy monitoring system; Self-production of energy from renewable sources. ▪ HSE Policy; Sustainability Policy.

			▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
		Occupational Health and Safety	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ HSE Policy; HSE Monthly meeting; TALK meeting; Find & Fix (Italy); WHP programme. ▪ QHSE Manager; HSO and ASPP with reference to all the Italian companies of the Tesmec Group; HS training.
	Processes & Procedures	Energy consumption and energy efficiency	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Energy monitoring system for the Grassobbio plant; Self-production of energy from renewable sources. ▪ Procurement Policy; Supplier qualification and valuation procedure. ▪ QHSE Manager; HSO (Italian companies); Support of consultants/specialists; HSE Policy; Sustainability Policy; ISO 14067:2018 Carbon Footprint of Products.
		Emissions and climate change	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Energy monitoring system for the Grassobbio plant; Self-production of energy from renewable sources. ▪ HSE Policy; Sustainability Policy. ▪ QHSE Manager; HSO (Italian companies); Consultants/specialists. ▪ ISO 14067:2018 Carbon Footprint of Products.
		Product quality and compliance, health and safety of the end customer	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
	Product	Product quality and compliance, health and safety of the end customer	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
Commercial risks	Customers	Product quality and compliance, health and safety of the end customer	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
HR risks	Health, Safety & Environmental	Occupational Health and Safety	▪ ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 Quality, Health, Safety and Environment Management Systems. ▪ HSE Policy; HSE Monthly meeting; TALK meeting; Find & Fix (Italy); WHP programme. ▪ QHSE Manager; HSO and ASPP for the Italian companies of the Tesmec Group; HS training.
	People	Employment and development of human resources	▪ Employee training; Partnerships with high schools and universities; Implementation of new HR management; Incentive plans; Dialogue with trade unions; Strengthening employer branding.
		Diversity, equity and inclusion	▪ Reporting portal for violations; Human Rights Policy; Group Code of Ethics; Whistle-blowing Policy.
Legal risks	External unlawful acts Legal & Compliance	Business integrity and ethical conduct	▪ Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01; Group Code of Ethics; Group Anti-Corruption Policy; Whistle-blowing Policy; Procedure for Related Party Transactions. ▪ Internal Auditor and Compliance Team; Supervisory Body; Reporting portal. ▪ Annual audit programme approved by the BoD; Model 231 training activities; ISO 37001:2016 for Tesmec Rail and Tesmec Automation.
IT risks	IT systems	Privacy and data protection	▪ Monitoring of regulatory and case law changes; GDPR compliance; Patent registration; Adoption of NDAs for the main projects.
Financial risks	Financial planning Exchange rate exposure	Value generation and distribution	▪ Management control system and financial performance reporting/monitoring. ▪ See next paragraph (main risks and uncertainties).

Main risks and uncertainties to which the Tesmec Group is exposed

In this paragraph, we outline the risk factors and uncertainties that may significantly affect the activity of the Tesmec Group. In particular, some information tending to illustrate the aims and policies of the Group on the management of the main financial, operational and legal/regulatory risks are set out below. This description is valid for the Tesmec Group, even if the risk management policy is decided by the Parent Company.

Tesmec implemented a mechanism for constantly monitoring these risks in order to prevent their potential negative effects and take the actions necessary to contain them. Tesmec's risk management activity aims to promptly identify the risks in the company's core business, define suitable measures for their prevention and mitigation and safeguard operating effectiveness.
The importance of risk control in achieving the Group's objectives makes it of primary importance to define a preliminary analysis system that is adequately structured in order to strive for a high level of operating performance. Responsibility for risk management and control activities lies with the Chief Executive Officer, who is responsible for coordinating risk identification activities and monitoring their correct management. The Board of Directors of Tesmec S.p.A. also appointed the Director in charge of the Internal Control and Risk Management System, who is responsible for identifying and managing business risks.

Within its scope of operations, the Group is exposed, to a greater or lesser extent, to certain types of risk that are managed as follows.

Financial risks

Risk connected to the performance of the business and the financial situation

2023 was a year characterized by growth in Group revenues starting from June, which continued into the third quarter and then underwent a slowdown in the final part of the year, a period which was affected by contingent effects on some important markets and especially in the Trencher sector. If, on the one hand, the operating results, despite the presence of a turnover level below expectations for the aforementioned contingent reasons and non-recurring negative income components, remained not far from the record levels of 2022, on the other hand, the pre-tax result was affected by a strong increase in financial components, with reference to both financial charges and changes in bills of exchange.

With reference to future performance, the Group expects revenues to grow by more than 10% in 2024 compared to the 2023 financial year, with an improving EBITDA margin and a decreasing net financial position compared to 31 December 2023. This expectation is based on overcoming contingent situations that especially affected the last quarter of 2023, accompanied by management actions aimed at a significant recovery of profitability and the reduction in particular of working capital. This scenario is the basis of the 2024 Budget and the 2024-2027 Business Plan, approved by the Board of Directors on 8 March 2024.

Furthermore, it is noted that the 2024-2027 Business Plan is based on assumptions characterized by considerable uncertainties. On the one hand, the Plan was prepared taking into consideration some hypothetical assumptions of a general nature and concerning future events which substantially depend on variables beyond the control of the Company and the Group, relating to the prospective evolution of the markets and sectors in which the Group operates. and the trend of the macroeconomic scenario, which will not necessarily occur or which could only occur in part, or to a different extent, method and/or timeframe than those envisaged. In this context it is noted that, although the plan was drawn up without specifically taking into consideration the effects of the Russian-Ukrainian conflict, the Group is not exposed to significant reductions in activities related to the possible continuation of the interruption of operations with these markets (limited contribution to consolidated turnover in the last period of around 0.2%). On the other hand, the economic-financial projections hypothesized in the Plan were also defined on the basis of hypothetical assumptions relating to compliance with the clauses of the financial contracts which entail limits on the use of financial resources (including covenants) and the prospective evolution of the business, which are discretionary in nature and relate to future events, which are uncertain and partly independent of the will of the Directors and Management.
Therefore, due to the uncertainty connected to the realization of any future event, both as regards the materialization of the event and as regards the extent and timing of its manifestation, there could be deviations, even significant ones, between actual values and budgeted values. in the Plan, as well as delays in the execution of the Plan itself, with possible negative effects on the Group's business, financial position, economic results and prospects.

In this context, however, the Group believes it is equipped with sufficient resources to meet the needs of the foreseeable future.

Exchange rate risk

The Tesmec Group carries out a significant part of its activities in countries other than the Eurozone and, therefore, revenues and costs of part of the activities of the Tesmec Group are denominated in currencies other than the Euro. The main transaction currencies used for the Group's sales are the Euro and the US dollar, although other currencies such as the Australian dollar, South African rand, Chinese renminbi and Russian rouble are also used. The Group also prepares its consolidated financial statements in Euro, although some subsidiaries prepare their financial statements and accounting documents in currencies other than the Euro.
Due to these circumstances, the Tesmec Group is exposed to the following risks related to variations in exchange rates:

i) the economic exchange rate risk, i.e. the risk that revenues and costs denominated in currencies other than the Euro take on different values with respect to the time at which the price conditions were defined;
ii) the translational exchange rate risk, deriving from the fact that the Parent Company, even though it prepares its financial statements in Euro, holds controlling interests in companies that prepare their financial statements in different currencies and, consequently, carries out conversions of assets and liabilities expressed in currencies other than the Euro;
iii) the transactional exchange rate risk, deriving from the fact that the Group carries out investment, conversion, deposit and/or financing transactions in currencies other than the reporting currency.

The fluctuation in currency markets has had, historically, a significant impact on the Group's results. In relation to the policies adopted for the management of exchange rate risks, the forward sale of foreign currency is adopted as the only hedging instrument. However, this hedging is carried out only for part of the total exposure in that the timing of the inflow of the receipts is difficult to predict at the level of the individual sales invoice.
Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the US dollar exposure deriving from the marketing in the US or Middle Eastern countries of machines produced in Italy. Moreover, for part of the sales in US dollars, the Group uses the production of the American factory with costs in US dollars by creating in this way a sort of natural hedging of the currency exposure.

Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Group cannot exclude that future changes thereof may affect the results of the Group.

Liquidity/cash flow variation risks

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

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

The Group uses various external sources of financing, obtaining both short and medium-long term loans and is therefore subject to the cost of money and to the volatility of interest rates, with a special reference to contracts that provide for variable interest rates, which, therefore, do not make it possible to predict the exact amount of the interest payable during the duration of the loan. The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and the 3/6-month Euribor rates for medium to long-term loans. When taking out loans at variable rates, mainly in relation to medium-term loans, the Tesmec Group considers managing the risk of interest rate fluctuations through hedging transactions (in particular, through swaps, collars and caps), with a view to minimising any losses related to interest rate fluctuations. However, it is not possible to ensure that the hedging transactions entered into by the Group are suitable to fully neutralise the risk related to interest rate fluctuations, or that no losses will result from such transactions.

As mentioned above, existing loans envisage compliance with certain covenants, both income based and asset based, which are checked periodically throughout the entire duration of the related loans, thus exposing the Group to the risk of non-compliance with these parameters.

Credit risk

With reference to the credit risk, the same is closely related to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency.

From a commercial viewpoint, the Group is not exposed to high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. For customers located in the European region, the Group mainly uses factoring without recourse. The provisions for doubtful accounts are considered to be a good indication of the extent of the overall credit risk.

Operational risks

Risks related to the Group's international business

The Tesmec Group earns its revenues mainly abroad. The Group carries out its production in 5 industrial plants (3 of which are located in Italy, 1 in France and 1 in the United States) and carries out its commercial business in about 135 countries worldwide. In particular, the Tesmec Group operates in several countries in Europe, the Middle East, Africa, North and Central America as well as the BRIC area (Brazil Russia India China). Moreover, the Group not only has a strong international presence but intends to continue to expand its business geographically, exploring opportunities in markets that it believes can help improve its risk profile. When deciding whether to undertake initiatives or maintain its strategic presence in foreign markets, the Group assesses political, economic, legal, operational, financial and security risks and development opportunities.

The Group is exposed to risks typical of countries with unstable economic and political systems, including (i) social, economic and political instability; (ii) boycotts, sanctions and embargoes that could be imposed by the international community against the countries in which the Group operates; (iii) significant recession, inflation and depreciation of the local currency; (iv) internal social conflicts that result in acts of sabotage, attacks, violence and similar events; (v) various kinds of restrictions on the establishment of foreign subsidiaries or on the acquisition of assets or on the repatriation of funds; (vi) significant increase in customs duties and tariffs or, in general, in applicable taxes. The occurrence of the events subject to the above-mentioned risks could have significant negative impacts on the Group's operating results, financial position and cash flows.

Moreover, demand for the Group's products is related to the cycle of investments in infrastructure (in particular power lines, data transmission systems, aqueducts, gas pipelines, oil pipelines and railway catenary wire system) in the various countries in which it operates. The annual amount of investments in infrastructures is related to the general macroeconomic scenario. Therefore, strong changes in the macroeconomic scenario in the countries where the Group is present or other events that are able to adversely affect the level of infrastructure investments, such as changes in laws and regulations or unfavourable changes in government policies, can have an adverse effect on the Group's operating results, financial position and cash flows.

Risks related to operations through the awarding of tenders

The Group, in relation to the activities carried out in the Rail segment and in the Energy segment, is exposed to risks deriving from the amount, frequency, requirements and technical-economic conditions of the call for tenders for contracts issued by the public administration, by public law bodies and other contractors, as well as the possible failure in winning them and/or the failure or delay in the awarding of the related work orders. Moreover, these segments are structurally characterised by a limited number of customers, given that the Rail segment is usually related to the existence, in each country, of a single national player managing the network and that, in the Energy-Automation segment of the Energy segment, the customers commissioning the work are the main owners of the individual national power networks or the main utility companies.

The limited number of customers commissioning work from the Group in these segments, as well as the fact that most of them are public entities, exposes the Group to the risk that these customers' investment programmes may be changed due to regulatory updates or emergency situations, resulting in possible changes in framework agreements with Group companies.

Risks related to the possible impairment of work in progress

In some multi-year tender contracts entered into by the Group in the Rail and Energy segment, the consideration is determined during the tender process following a detailed and accurate budgeting exercise, both with reference to the supply of machines/products and to the maintenance service, further supplemented by risk assessments to cover any areas of uncertainty, carried out with the aim of mitigating any higher costs and contingencies (costs estimated in relation to operational risks). The correct determination of the consideration offered in such contracts is fundamental to the Group's profitability as it is required to bear the full amount of all costs for completing work orders, unless there are additional requests from the customer.

However, the costs and, consequently, the profit margins that the Group makes on multi-year work orders can vary, even significantly, from the estimates made during the tender process. As a result of this increase in work order operating costs, the Group may incur a reduction in or loss of estimated profits with reference to the individual work order.

The Group periodically monitors the costs related to the completion of work orders and the resulting profitability in order to minimise the risk of contingencies and to identify, where necessary, the need to enter into negotiations with customers for the signing of specific agreements supplementary to the tender contracts aimed at recognising increases in the consideration originally agreed upon.

Supply risk and risk of fluctuation in purchase prices

The Group, while retaining the management and organisation of the most important phases of its business model in-house, turns to suppliers for the purchase of semi-finished goods and finished components required for the manufacture of its products. The manufacture of some of the main products of the Group requires skilled labour, semi-finished goods, finished goods, components and high-quality raw materials. Therefore, the Group is exposed to the risk of encountering difficulties in obtaining the supplies it needs to carry out its activities, as well as the risk related to fluctuations in their prices.

In particular, in carrying out its production, the Group mainly uses semi-finished goods in steel and aluminium and semi-finished goods in nylon. The price of raw materials for these semi-finished goods – and, in particular, of steel – can be volatile due to several factors beyond the Group's control and which are difficult to predict. Moreover, for the supply of some components, the Group uses high-end suppliers for which it is not a strategic customer.

The Tesmec Group put in place a purchasing policy aimed at diversifying the suppliers of components that have unique characteristics in terms of purchased volumes or high added value. The Group's price risk is mitigated by having multiple suppliers and by the inherent heterogeneity of raw materials and components used in the production of Tesmec machines. Moreover, in consideration of the nature of semi-finished goods and the importance of the technological content of the purchased components, their commodity price only partially affects the costs of purchase. However, in consideration of the current market context, characterised by increasing trends in the cost of energy and, more generally, in the procurement costs of raw materials, by rigidity in the global supply chain, by difficulties of the global logistics sector in meeting the requirements of the reference markets, especially for long-haul shipments, by the persistence of the pandemic crisis albeit with forms and methods that often have less impact on economic activities, as well as, lastly, by the onset - after the reporting year - of the Russian-Ukrainian conflict with possible effects not only on commercial relations with these markets, but in theory with impacts on the global macroeconomic scenario, the Group cannot exclude that future changes in prices and scenarios in procurement markets may negatively affect results.

Risks related to the legal and regulatory framework

Risks related to disputes

Any unfavourable outcome of disputes in which the Group is involved or the occurrence of new disputes (also regardless of the outcome), could have a possibly significant reputational impact on the Group, with possible significant negative effects on the operating results, financial position and cash flows of the Company and of the Group.

The estimate of charges that might reasonably be expected to occur as well as the extent of provisions are based on information available at the date of approval of the financial statements, but involve significant elements of uncertainty, not least because of the many variables linked to legal proceedings. Where it is possible to reliably estimate the amount of the possible loss and this is considered probable, provisions are made in the financial statements to an extent deemed appropriate in the circumstances, also with the support of specific opinions provided by the Group's consultants and in accordance with the international accounting standards applicable from time to time.

At the end of the reporting year, different types of legal and arbitration proceedings involving the Company and the Group's subsidiaries were pending, and two tax audits were in progress. For a description of the main cases, please refer to Note 44 Legal and tax disputes in the explanatory notes to the consolidated financial statements.

Risks related to environmental topics

Climate change is an issue of particular attention for each industrial sector, including the one in which Tesmec operates, whose greenhouse gas emissions are mainly linked to the organization's direct consumption, mainly deriving from the production plants. But not only that, the company's attention is also directed to the product, with the aim of measuring and increasing the share of technological solutions with a lower environmental impact. To date, the Company's commitments on the matter are formalized through the preparation of internal policies, the adoption of management systems, the use of energy from renewable sources and attention to the production of products with a lower environmental impact.
Tesmec has identified the guidelines to be included in a medium-long term Sustainability Plan, which identify the Company's main commitments on the environmental front and, specifically, in relation to climate change. Energy transition trends - decarbonisation, electrification and digitization - are driving the formulation of the business strategies and their future implementation.
Moreover, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a gap analysis was carried out with respect to the practices implemented by the Group in 2021. Firstly, a benchmarking analysis was carried out on a predefined set of peers/competitors on Climate Change disclosure, with a special reference to the TCFD recommendations on:

- organisational governance of climate-related risks and opportunities.
- the current and potential impacts of climate-related risks and opportunities on the organisation's operations, strategy and financial planning.
- how the organisation identifies, assesses and manages climate-related risks.
- metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Subsequently, an analysis of the situation "as is" of the areas of attention of the TCFD was prepared, and an in-depth analysis was carried out with the company representatives involved in the management of the issue. Thus, was carried out a Gap analysis between the Group’s implementation and the recommendations of the TCFD together with the best practices identified in the benchmark phase. During 2023, the Risk and Sustainability Control Committee continued to monitor sustainability projects on a quarterly basis to verify their objectives and progress. An update of the analysis carried out during the next financial years is foreseen.

4.5 Environment

4.5.1 Environmental impacts: policies and management systems

GRI Standards	2-23; 2-24

The Tesmec Group is active in designing, manufacturing and selling systems and integrated solutions for construction, maintenance and diagnostics of infrastructures (aerial, underground and rail networks), for the transport of electric energy, data and materials (oil and derivatives, gas, water) as well as technologies for managing quarries and surface mines.

Direct environmental impacts are related to the use of materials, energy, emissions and waste management (mainly "non-hazardous" waste) whereas the management of water resources and other air polluting emissions not included in greenhouse gas emissions are not material. Some operations may therefore pose a risk to the environment.

Environmental commitments are formalised analytically in the HSE (Health Safety & Environment) policies issued by each Italian Group company and also in the Code of Ethics, according to which the environment is a primary asset to be protected for present and future generations; in line with this principle, the Company and the Group plan their own activities seeking for the best possible balance between economic initiatives and environmental requirements in order to mitigate negative impacts.

The figure of the QHSE Manager (Quality, Health, Safety and Environment Manager) is included in the team of Tesmec S.p.A. with the task of coordinating at Group level the areas relating to Quality, Environment and Health and Safety, adopting the necessary measures to reduce the related risks. Tesmec also makes use of the work of specific consultants to identify topics that have a direct or indirect impact on the Environment.

All environmental management systems of the Italian companies of the Tesmec Group comply with **ISO 14001:2015**. The certification and the related system aim at an in-depth knowledge of the environmental aspects that the companies must effectively manage, in accordance with the legislative framework and the applicable requirements, assessing the importance of their impacts.

HSE policies are integrated at the Italian level for the management of environmental topics. In addition to the Parent Company, the American company Tesmec USA, Inc., the French company Groupe Marais SAS and the New Zealand company Marais Laying NZ have a formalised HSE Policy.

The **Environmental Policy**, which is part of Tesmec S.p.A.'s integrated management system, defines the company's commitment to environmental topics.

Tesmec is engaged in defining and implementing the management system so as to ensure that all workers can operate in the best possible conditions and become aware of the importance of protecting the company's assets, including protection of the environment and safety in the workplace.

The advanced technologies developed by Tesmec are aimed at improving performance and respect for the environment, with a commitment to reduce greenhouse gas emissions through the development of energy efficiency projects. The machines produced are designed to have as little impact on the environment as possible: low emission and high efficiency electrical and hybrid motors, automated controls that optimise operations and reduce errors, minimised deforestation through the use of stringing equipment demountable and transportable by helicopter, reduced excavation sections by the trenchers that allow recycling of excavated material, etc.

In 2023, in order to better reflect Tesmec's focus on environmental topics and compliance with existing regulations, the proxy system that had been in place for several years was completely changed; whereas in the past environmental responsibilities were included in those related to Health and Safety, as from 2023 this has been appropriately extrapolated and assigned to the QHSE Manager for all Italian plants. In order to meet the many national and regional certification and regulatory requirements, the QHSE Manager will rely on the contribution of his/her team and the various Safety Delegates re-defined during the same year.

Product certifications - product footprint

Most of the products of Tesmec Automation S.r.l. are certified according to the ISO14067:2018 standard (Greenhouse gases: Carbon footprint). The same certification was also adopted on the main models of stringing equipment machines and trenchers produced by Tesmec S.p.A.

Environmental Adaptation and Improvement

During 2022, for Tesmec S.p.A., following audits and inspections, it was decided to implement an Environmental Adaptation and Improvement project that led to the issuance of technical projects submitted to the Competent Authorities and in the approval phase; this project involved changes to existing layouts, investment such as new emission abatement systems, new chimneys, and a redefinition of effluent management. As a result, action was taken at the Italian level by carrying out environmental audits and training meetings with the support of external technicians. Given the significant impact on processes and structures, this process is constantly advancing and aims to be fully implemented by the end of 2025.

For the protection of the environment, the parent company Tesmec S.p.A. implemented a monitoring system as per ENEA directives to check consumption and define energy saving solutions and procedures. An energy monitoring system is in place for the factory of Grassobbio (Bergamo) that, through specific sensors and a dedicated software, allows a timely measurement and analysis of different energy consumption (such as gas consumption, electricity, etc.), thus improving efficiency.

Climate change - TCFD disclosure

The Group pays a special attention to topics relating to climate change and greenhouse gas emissions in that both energy and emissions are material topics for the Group.

The Communication of the European Commission "*Guidelines on non-financial reporting: Integration concerning climate-related disclosures (2019/C 209/01)*" is a supplement to the Commission's own 2017 guidelines on non-financial reporting under Directive (EU) no. 95/2014. This Communication contains (non-binding) guidelines for climate-related disclosures by companies, complementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures -TCFD).

However, it should be noted that the Financial Stability Board announced at the end of 2023 that the work of the TCFD was completed and that its recommendations, which remain valid and applicable, are incorporated into the ISSB (International Sustainability Standards Board - part of the IFRS Foundation) standards, in particular IFRS S2 Climate-related financial disclosures. For the purposes of this NFS, which uses the GRI Standards as its reporting criteria, the information has been included to link the Tesmec Group's current reporting system to the recommendations of the TCFD.

The Tesmec Group's reporting system

Tesmec's current climate change reporting system against the TCFD recommendations is summarised below:

Strategies and risks management	The Tesmec Group in its various Business units (sectors and segments) is active in designing, manufacturing and selling systems and integrated solutions for construction, maintenance and diagnostics of infrastructures (aerial, underground and rail networks), for the transport of electric energy, data and materials (oil and derivatives, gas, water) as well as technologies for managing quarries and surface mines. These are strategic sectors, from infrastructure and energy networks to sustainable transport and mobility. The technological solutions offered by the Tesmec Group also aim to mitigate the negative environmental impact of activities (low environmental impact products).

	The Tesmec Group identified its business activities as **enabling activities**, i.e. consisting of products and services that make a significant contribution to other activities from an environmental perspective by contributing to the objective identified by the EU Taxonomy of Sustainable Activities (see paragraph *4.5.6 European Taxonomy of sustainable activities*) of climate change mitigation. In this context, the topic of climate change is relevant in terms of **opportunities** for Tesmec with respect to both aspects a) climate change mitigation (energy efficiency, emission reduction) and b) adaptation to ongoing climate change (strengthening infrastructure to make it less vulnerable to the effects of climate change). At the same time, the gradual design and development of an integrated **Enterprise Risk Management** system (see paragraph 4.4.6 Risk Management) enabled an initial assessment to be made, including in relation to climate change. In particular: **Transition risks** (Legislative and regulatory risks - Technological risks - Reputational risks) Product sustainability (impacts from use) Processes & Procedures **Physical risks** (Business continuity risks - critical risks) External natural/accidental events Tesmec Group has not currently developed specific medium- to long-term scenarios quantifying the resilience and economic and financial effects of a temperature increase of less than or equal to 2°C and a scenario above 2°C (20). [TCFD Recommendation, c) strategy]. These aspects will be an integral part of the transition plan to the reporting required by Directive (EU) no. 2022/2464 and the European Sustainability Reporting Standards (ESRS).
Governance - policies	The governance model of Tesmec is described in paragraph 4.2 (Governance) and referred to, with specific regard to risk management, in paragraph 4.4.6 Risk Management. The activities of the Board of Directors are supported by the Control, Risks and Sustainability Committee. Operationally, the Chief Executive Officer, as Chief Operating Officer pursuant to the Corporate Governance Code, and the Vice Chairman as co-Chairman are responsible for identifying the main business risks. The company management is responsible for identifying, assessing and managing risks in their respective areas of responsibility and in the conduct of business. The main operating instruments are represented by a) Group Sustainability Policy; b) Quality, Health, Safety and Environment Management Systems according to ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015; Energy monitoring system for the Grassobbio plant; Self-production of energy from renewable sources; Presence of QHSE Manager; Presence of the HSO (Italian companies); Support of consultants/specialists; HSE Policy; Sustainability Policy; ISO 14067:201 Carbon Footprint of Products.
Target	Specific targets and climate strategies have not been defined. The ISO 14001 Environmental Management System includes measures to improve the energy profile with mitigation impact on GHG emissions.
Metrics	The current reporting system provides the following information: ▪ Energy consumption: direct GRI 302-1 ▪ Direct and indirect emissions (Scope 1 and Scope 2 GHG) GRI 305-1 GRI 305-2. ▪ Indirect Scope 3 GHG emissions: mapping of categories for the purpose of the subsequent reporting scheduled for 2024. ▪ Energy intensity and emission ratios GRI 302-3 GRI 305-4.

Financial implications of climate change

The Tesmec Group has not currently developed an analysis model to determine the financial impact of climate change.

4.5.2 Energy

GRI Standards	3-3; 302-1; 302-3; 302-5

Energy consumption

The energy consumption of the Tesmec Group concerns:

- Purchased and self-produced electricity (where photovoltaic system is present): this is mainly used for the operation of machinery and lighting;
- Natural gas: it is used for heating the premises;
- Diesel oil: mainly used for company fleets and for testing of manufactured machines such as Trenchers, stringing equipment machines and railway wagons;
- LPG: used to operate certain machines such as oxygen cutting or to heat the premises;
- Petrol: used exclusively for some company cars.

The main energy consumptions of the Tesmec Group for the three-year period from 2021 to 2023 are shown below, represented in GJoules according to GRI Standards.
Energy consumption has remained constant over the three-year period. The consumption of diesel oil increased in 2023 due to the inclusion of Tesmec Saudi Arabia LCC and Tesmec Peninsula in the Group's scope. On the other hand, methane, which is used for heating, decreased during the two-year period from 2022 to 2023 as a result of a Group-wide energy-saving campaign.

Energy consumption (GJ)	**2023[4]**	**2022[1]**	**2021[1]**
Electricity			
Electricity purchased	16,160	11,150	18,319
Electricity purchased with Guarantee of Origin contracts	-[3]	5,346	-
Electricity produced by photovoltaic system	4,145	4,194	4,328
Minus: Energy fed into the grid	(1,109)	(728)	(695)
	19,196	**19,962**	**21,952**
Of which from renewable sources	3,036	8,812	3,633
Vehicle fuel[5]			
Diesel oil	38,945	46,349	41,881
Petrol	3,750	2,575	918[2]
	42,695	**48,924**	**42,798**
Natural gas for heating			
	13,402	**17,958**	**22,207**
Fuels for production or machinery			
Diesel oil	28,381	13,844	13,518[2]
LPG	548	546	622
	28,929	**14,389**	**14,141**
Total energy consumption - GJ	**104,222**	**101,233**	**101,099**
Impact of renewables	**2.9%**	**8.7%**	**3.6%**

[1] The values for electricity purchased under Guarantee of Origin contracts, methane and fuels for motor vehicles and production are restated for the years 2021 and 2022, following an improvement in the Group's processes for collecting consumption data (non-material variation). It should be noted that data of 4 Service USA Inc. is excluded from the total energy consumption data in that not available.
[2] It should be noted that data on diesel oil for production and petrol for motor vehicles consumed in 2021 by Tesmec USA is excluded from the data reporting boundary.
[3] For contractual reasons, there are no existing contracts for the supply of electricity with a guarantee of origin for the year 2023. The Group reactivated this supply as from 2024.
[4] For the year 2023, the data of Tesmec Saudi Arabia LCC and Tesmec Peninsula, which joined the Group during 2022, is also reported. Further details on the reporting boundary can be found in the *Methodological Note*.
Sources (Joule conversion factors)

- Electricity - ENEA national agency for new technologies, energy and sustainable economic development
- Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2023 - gov.uk (www.gov.uk)

Consumption for the years 2021 and 2022 were recalculated using updated conversion factors.
[5] For Group Marais, the consumption of motor vehicle fuels does not include the petrol data of the cars supplied to employees for mixed use and the diesel consumption of the fleet whose refueling was carried out beyond the national borders (France).

In 2023, the Tesmec Group produced energy from photovoltaic renewable sources of 1,151MWh, of which 308MWh were sold to the electricity network.

Several Tesmec factories are equipped with photovoltaic systems. On the one hand, this reduces the amount of energy purchased externally and, on the other hand, allows it to be sold to external consortia during the hours when there is no energy consumption.

With the aim of significantly increasing the portion of energy use from renewable sources, in November 2022 started the construction of a new photovoltaic system connected to the electricity distribution network at the Grassobbio headquarters, which expanded and enhanced the existing system. The works involved the complete replacement of the panels of the existing system with the latest generation of panels, which are therefore much more powerful and increase the area covered. The works were completed in the first few months of 2023, while the connection and verification phases are expected to be completed in the first few months of 2024. In the meantime, the plant was able to operate normally in the part before to the expansion, producing more Electricity simply because of the better yield of the new panels, not because of the larger area occupied by the plant.

Energy intensity

The energy intensity index was calculated on the basis of the number of hours worked by employees and non-employees, which was considered significant due to the nature of the Group's activities. The calculation shows an improvement between 2021-2022 and 2023: as the number of hours worked increases, a lower energy intensity index is obtained.

Energy intensity index	**2023**	**2022**	**2021**
Energy consumption (GJ)	104,222	101,233	101,099
Hours worked*	1,836,931	1,637,622	1,671,133
Intensity index (GJ consumption/hours worked x 1,000)	**56.74**	**61.82**	**60.50**

* The hours worked reported comply with the scope of the environmental data, defined in Methodology

The Technical Offices of the Tesmec Group, responsible for the design of the products placed on the market, have always been attentive to the creation of machines that have the least possible impact on the environment and therefore have a gradual reduction in energy requirements. This explains the increasing focus on the production of machines with full, or where possible, partial power supply.

Moreover, a growing number of Tesmec Group products are ISO 14067 certified; in addition to the numerous Tesmec Automation systems that have been progressively certified over the years, other machines from different business units such as trenchers and stringing machines have also been added since 2023.

For further information on the energy requirements of the products offered by the Group, please refer to section *4.5.6 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852*.

4.5.3 Emissions into the atmosphere (GHG Greenhouse gas)

GRI Standards	3-3; 305-1; 305-2; 305-4

Direct and indirect emissions: Scope 1 - Scope 2 GHG

Due to the nature of Tesmec Group's business and activities, the most significant emissions into the atmosphere are those related to greenhouse gases (GHG). The emissions of other pollutants assessed according to the thresholds in Annex II of Regulation (EC) no. 166/2006 are not relevant for the purposes of this document.

Emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e) and include direct emissions (Scope 1 GHG – Greenhouse Gas) and indirect emissions associated with electricity consumption (Scope 2 GHG).

Direct emissions (Scope 1 GHG) derive from the operation of plants and machinery owned or fully managed by the Company, such as, for example, heating plants (fuelled by natural gas) and machines fuelled by diesel oil, LPG and petrol.

Indirect emissions (Scope 2 GHG) derive from the energy consumption of all factories coming from external supply (electricity), net of production and supply from renewable source plants (photovoltaic).

Indirect emissions from electricity consumption (GHG - Scope 2) have been calculated using both the location-based and market-based approaches:

- The location-based method involves recording emissions from electricity consumption by applying national average emission factors for the production of electricity.
- The market-based method, which requires Scope 2 - GHG emissions from electricity purchases to be determined using specific emission factors reported by suppliers. Purchases of electricity from renewable sources are assigned a zero tCO_2e emission factor. In the absence of specific contractual agreements, this approach requires the use of national "residual mix" emission factors where technically applicable.

The quantitative data presented, which are based on estimates, result from the conversion of the quantities consumed of the various energy sources.

As can be seen from the table below, the total emissions of Scope 1 increased in 2023 compared to the previous year (+6.2%). This change is mainly due to the inclusion of Tesmec Saudi Arabia LCC and Tesmec Peninsula in the Group's scope of consolidation.

Direct emissions – Scope 1 GHG **t CO_2e**	**2023**	**2022***	**2021***
Vehicle fuel			
Diesel	2,749	3,300	2,928
Petrol	244	171	62
Methane	755	1,009	1,252
Fuels for production or machinery			
Diesel oil	2,181	1,062	1,026
LPG	35	35	38
F-gas (refrigerant gases dispersed in the atmosphere - R134a)	213	227	32
Total - Scope 1 Emissions	**6,177**	**5,804**	**5,338**

* The values for emissions related to fuels for motor vehicles and production are restated for the years 2021 and 2022, following an improvement in the Group's processes for collecting consumption data (non-material variation).
Sources
- Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2023
- FGAS - maintenance reports

Indirect emissions – Scope 2 GHG **t CO_2e**	**2023**	**2022***	**2021***
Electricity purchased - Location-based method	1,280	1,257	1,397
Electricity purchased - Market-based method	1,832	1,153	2,041

* The values for the years 2021 and 2022 are restated following an improvement in the Group's processes for collecting electricity consumption data (non-material variation). Data has also been recalculated using updated emission factors. The source previously used for the calculation of indirect emissions Scope 2 was Terna (International comparisons (all countries) -2019)
Sources:
- Italy, France - ISPRA - Ministry of the Environment - ISPRA Efficiency & decarbonization indicators ITA Europe 386-2023 Tab 2.7 GHG emission factors for total electricity production (g CO_2eq/kWh) – location-based method
- Italy, France - European Residual Mix - AIB (aib-net.org) Tab 2: Residual Mixes – Market-based method
- USA - US EPA – eGrid (ERCT) - Summary Data
- South Africa, China, Saudi Arabia - Climate Transparency Report 2022
- Ivory Coast, Guinea, Qatar - Carbon Footprint Ltd's GHG Factors for International Grid Electricity (ROW) 2023
- Australia - Australian Government, Clean Energy Regulator - National greenhouse and energy reporting
- New Zealand - Ministry for the Environment. 2022. Measuring emissions: A guide for organizations

Total emissions - Scope 1 GHG + Scope 2 GHG **t CO_2e**	**2023**	**2022***	**2021***
Total Scope 1 GHG emissions (direct)	6,177	5,804	5,338
Total Scope 2 GHG emissions (indirect) - Market-based	1,832	1,153	2,041
Total Scope 1/Scope 2 GHG emissions	**8,009**	**6,957**	**7,379**

* The values for the years 2021 and 2022 are restated following an improvement in the Group's processes for collectig electricity consumption data (non-material variation).

Emission intensity

There was a non-significant increase in the energy intensity index, mainly due to the inclusion of Tesmec Saudi Arabia LCC and Tesmec Peninsula in the Group's scope.

Energy intensity index	2023	2022	2021
Total Scope 1 & 2 GHG emissions - Market-based (t CO2e)	8,009	6,957	7,379
Hours worked	1,836,931	1,637,622	1,671,133
Intensity index (Total emissions/hours worked x 1,000)	**4.36**	**4.25**	**4.42**

*The hours worked reported comply with the scope of the environmental data, defined in Methodology, for employees and not employees.

Indirect emissions along the value chain: Scope 3 GHG - Category mapping

The Tesmec Group has identified the scope of the main categories of emissions resulting from activities not directly controlled by the organisation, but which occur upstream and downstream in its value chain (Scope 3 GHG), as a preliminary step to reporting total GHG emissions.

The scope of the analysis was based on the Greenhouse Gas (GHG) Protocol, which defines the criteria and methodologies to be applied in determining an organisation's direct and indirect emissions. In particular, the GHG Protocol is based on 15 categories for Scope 3 GHG emissions. The process of identifying the relevant categories of Tesmec was carried out with the involvement of various people and functions within the company, through interviews and in-depth analysis, in order to define a significance matrix in line with the GHG Protocol.

The results of the analysis and the categories that were found to be relevant based on the criteria of size, influence, risks and stakeholders involved are presented below:

Scope 3 Category (GHG Protocol)		Description and impact on the Tesmec Group
1	**Purchased products and services (upstream)**	Emissions related to the production of the main goods purchased and used in production processes, such as steel, aluminium, nylon, hydraulic oil and lubricants. Extraction and processing of raw materials, electricity consumed by upstream activities and transport between suppliers will be considered
2	**Production goods (upstream)**	Emissions from the production of purchased or acquired operating assets, such as equipment, machinery, buildings, structures and vehicles
4	**Transport and distribution of purchased products (upstream)**	Impact related to the transport and distribution of purchased products in vehicles and structures not owned or managed by the Tesmec Group. At the time of writing, the Group does not use intermediate warehouses
5	**Waste generated by process activities (upstream)**	Emissions from the disposal and treatment by third parties of waste generated by the Group's activities
6	**Business trips (upstream)**	Impact related to employees travelling for work activities in vehicles not owned or controlled by the Tesmec Group, such as planes, trains, buses and rental cars
7	**Employee commuting (upstream)**	Impact related to Group employees travelling between home and work
8	**Leased assets (upstream)**	Emissions from the use of leased vehicles and machinery or rented buildings. For methodological choice and consistency of information presented in the Non-Financial Statements, the Tesmec Group includes this consumption in the calculation of direct emissions (Scope 1).
9	**Transport and distribution of the finished product (downstream)**	Emissions related to the transport and distribution of products sold to end consumers in vehicles not owned or controlled by the Group.
11	**Use of the product sold (downstream)**	Impact related to the use by customers of goods sold by Tesmec, such as the use of fuels.

As required by the Directive (EU) no. 2022/2464 CSRD and the ESRS (ESRS 1 Climate), it will calculate in 2024 the Scope 3 GHG emissions for the significant categories mentioned above.

4.5.4. Raw materials and materials

GRI Standards	3-3; 301-1

The raw materials most used in terms of quantity by the production companies (Tesmec S.p.A., Tesmec USA, Inc., Groupe Marais SAS) are **semi-finished products in steel and aluminium** (sheets, tubes, rounds) and semi-finished products in **nylon** (rings and plates) as well as **hydraulic oil and lubricants**.

A total of 734 tonnes of materials were purchased in 2023, of which almost 90% were semi-finished steel products and hydraulic oil and lubricants. No renewable materials were used.

The figures below refer to the production companies mentioned above. Semi-finished steel products have shown a downward trend, as the Group has opted to outsource several processing operations over the past two years and has established partnerships with major suppliers that can guarantee added value within the value chain. Purchases of semi-finished products in nylon increased as new machinery was developed for their use.

Purchases of materials - non-renewable (t)	**2023**	**2022**	**2021**
Semi-finished steel products (sheets, tubes, rounds)	518	699	807
Semi-finished aluminium products (sheets, tubes, rounds)	25	57	38
Semi-finished nylon products (rings, plates)	64	43	60
Hydraulic oil and lubricants	127	152*	140
Total	**734**	**951**	**1,045**

* The 2022 value for hydraulic oils and lubricants is restated.

4.5.5 Waste

GRI Standards	3-3; 306-1; 306-2; 306-3

Waste management

Tesmec Group's production activities are mainly focused on the assembly of components made by suppliers in accordance with the technical requirements defined by the Group's technical offices, or produced in-house through the mechanical machining and carpentry departments. The raw material is always produced externally and always undergoes the first steps of the production process.
This approach limits the amount of waste generated within the Group's factories to the following:

- residues of internal processing
- auxiliary products used in certain processes, such as painting
- materials used for processing machines, such as oils

All waste from the production cycle is managed in accordance with national regulations and, where possible, recycled.

Therefore, each factory has a specific waste register, which is also used by Italian companies for issuing the annual MUD (Modello Unico di Dichiarazione Ambientale - Single Environmental Declaration Form).
Therefore, the waste management process involves a wide range of people and company figures, including:

- warehouse-keepers, in charge of initiating delivery activities to suitable waste management sites
- the production personnel responsible for the periodic loading of waste into the suitable internal areas
- the personnel in charge of recording the waste registers

Special attention is paid to the transport of waste covered by the ADR (Accord Dangereuses Route), a European agreement on the transport of dangerous goods by road, to ensure compliance with European requirements and national implementations.

Given the importance of the process and its potential environmental impact, waste management is fully covered by procedures issued by the HSE offices; moreover, regular training is given to all the above-mentioned personnel, and annual internal audits are carried out to verify the entire process.

The production process is characterised by the low use of polluting materials and the resulting waste is managed in accordance with the relevant regulations, confined to special areas with adequate air treatment. All the waste produced by the Group's companies is regularly transported by certified carriers to authorised external sites. The waste itself is also periodically "characterised" so that it can be managed according to its type.

Under Italian law, a paper document, the FIR, is used to track the movement of waste. This document provides evidence of correct disposal by confirming or correcting the initial information contained therein. The FIR is one of the obligations that, together with the MUD and the Waste Loading and Unloading Register, control the flow of waste production.

The waste register is currently kept in paper form, although regulatory updates may change this in the future. The Italian companies have formalised a digital database to monitor waste production, which is periodically verified by internal audits required by the Management Systems; the Group is committed to extending this tool to foreign companies as well.

The waste generated

The waste generated by the Group for the three-year period is reported. In 2023, with reference to the type of activities described, 1,438 tonnes of waste were generated, of which 23% was hazardous waste (mainly engine oils and emulsions for machinery and oil filters). For the purposes of the requirements of GRI Standard 306-3 (2020), municipal waste generation was excluded from the calculation.

Waste generated (t)	2023	2022[1]	2021[1]
Hazardous waste	348.9	443.3	341.8
Non-hazardous waste	1,101.8	1,089.2	1,027.4
Total waste generated	**1,450.7**	**1,532.5**	**1,369.2**

[1] The values for the years 2021 and 2022 are restated following an improvement in data tracking and management (non-material variation).
[2] For Marais Laying Tech. (Pty) Ltd. Nouvell Zelande and Tesmec SA (Pty) LTD, the quantities of waste generated were calculated using estimates.

During 2023, the Tesmec Group defined a process to more accurately map the waste generated by its activities. The type of waste generated during the year and whether it was recycled or disposed of is shown below. As shown in the table below, the most common types of waste generated by the Group's activities are chips and shavings, packaging and iron and steel.

Waste generated by category (t)	2023		
	Recovery	Disposal	**Total**
Hazardous waste			
Treatment sludge	1.0	141.2	142.2
Paints and varnishes	3.4	-	3.4
Emulsions and solutions for machinery	23.5	0.8	24.3
Oils for hydraulic systems, motors, gears and lubrication	41.2	22.4	63.7
Solvents	-	2.8	2.8
Packaging containing residues of hazardous substances	10.6	-	10.6
Absorbents, filter materials, wiping clothes and protective clothing contaminated with hazardous substances	8.6	1.2	9.8
Oil filters	0.3	72.0	72.3
Anti-freeze fluids	2.3	0.5	2.8
Disused equipment and machinery	0.5	-	0.5
Gases in pressure vessels	2.2	-	2.2
Lead-acid or mercury-containing batteries	3.9	-	3.9
Waste aqueous solutions	0.0	1.5	1.5
Fluorescent tubes and other mercury-containing waste	2.5	-	2.5
Waste oil and water	1.8	0.0	1.8
Other hazardous waste	1.5	3.2	4.7
Total	**103.3**	**245.6**	**348.9**

Non-hazardous waste			
Treatment sludge	-	0.2	0.2
Aqueous suspensions containing paint and varnish	-	5.6	5.6
Ferrous, non-ferrous and plastic chips and shavings	310.5	3.0	313.5
Dust and particles of ferrous materials	8.0	6.0	14.0
Spent tool bodies and grinding materials	-	0.5	0.5
Packaging	205.8	2.0	207.8
Absorbents, filter materials, wiping clothes and protective clothing	-	0.5	0.5
Disused equipment and components	1.2	-	1.2
Copper, bronze, brass	0.8	-	0.8
Aluminium	2.8	-	2.8
Iron and steel	253.6	-	253.6
Cables	3.5	-	3.5
Paper and cardboard	30.8	-	30.8
Other non-hazardous waste	68.3	198.9	267.2
Total	**885.2**	**216.6**	**1,101.8**
Total waste generated	**988.4**	**462.3**	**1,450.7**
Waste sent for recycling	**68.1%**		

4.5.6 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852

GRI Standards	2-23; 2-24; 302-5

The EU taxonomy

The European Union has developed a strategy for sustainable development and the transition to a low-carbon economy, in line with the contents of the 2015 Paris Climate Agreement and the United Nations' 2030 Agenda, committing to become the first climate-neutral continent by 2050 and to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

In line with this perspective, the European Commission adopted the Sustainable Finance Action Plan in 2018, in which it set out a strategy that aims to redirect capital flows towards sustainable investment in order to support sustainable and inclusive development.

In order to meet climate and energy targets and to channel investment into sustainable projects and activities, the European Union has adopted a definition of what is "sustainable": the European Union Taxonomy, a classification system for economic activities that forms the basis of the action plan for financing sustainable development.

Regulation (EU) no. 2020/852 on Taxonomy identifies **six environmental objectives**:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy, also with reference to waste reduction and recycling;
5. Pollution prevention and control;
6. Protection of biodiversity and the health of eco-systems.

The same Regulation, through the Requirements Art.3 "General conditions", establishes the conditions of the process that leads to identify an economic activity as eligible and if met the relative and additional conditions, as aligned and therefore be considered environmentally sustainable:

Taxonomy eligible (ammissibilità)	The Regulation identifies the economic sectors and activities that fall within those eligible for the taxonomy (regardless of whether or not these activities meet one or all of the technical screening criteria of the Delegated Regulations - condition 04).
Taxonomy aligned (allineamento)	compliance with the technical screening criteria set out in the Delegated regulations for the taxonomy - Activities that meet the technical requirements set out in the taxonomy for the sectors and activities identified as eligible.
Alignment Conditions	
Substantial contribution	a) it contributes substantially to the achievement of one or more of the environmental objectives set out in Art. 9 (Environmental Objectives).
DNSH Do Not Significant Harm	b) do not cause significant harm to any of the other five environmental objectives in Article 9 (DNSH Do Not Significant Harm).
Minimum Safeguards	c) it is carried out in compliance with the minimum safeguards provided for in Art. 18.

In November 2023, the process of publishing the Delegated Regulations on six environmental objectives was completed. They defined the technical screening criteria for determining the conditions under which an economic activity can be considered to make a significant contribution to the various environmental objectives, while at the same time not causing significant damage to any other environmental objective (DNSH). EU taxonomy for sustainable activities - European Commission (europa.eu)

Disclosure (Article 8 of the Regulation)

Art. 8 of **Regulation (EU) no. 2020/852** (known as the Taxonomy Regulation) requires companies to report on (a) the share of their revenues (Turnover) derived from products or services related to economic activities that are considered environmentally sustainable, and (b) the share of investment/capital expenditure (CapEx) and the share of operating expenditure (OpEx) related to assets or processes related to economic activities that are considered environmentally sustainable.

The Delegated Regulation of the European Commission of 6 July 2021 defines the content and information that companies must report on their environmentally sustainable activities and specifies the methodology for complying with this disclosure obligation.

Accounting standards

For the purposes of reporting in accordance with Article 8 of Taxonomy Regulation no. 2020/852, Turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx) are defined as follows. For more specific information on accounting standards, please refer to the Consolidated Financial Statements.

Revenues (Turnover)	Net revenues from products or services.
Investment (CapEx)	Increases in intangible and tangible assets, including capitalised research and development costs, in the balance sheet items property, plant and equipment, intangible assets, before any changes due to fair value adjustments and before depreciation/amortisation charge and any write-downs.
Operating expenditure (OpEx)	Non-capitalised research and development costs, building renovation costs, costs for short-term lease contracts, maintenance and repair costs and other indirect costs for the day-to-day maintenance of property, plant and equipment.

Tesmec - Innovative solutions to reduce environmental impact

Since its establishment, Tesmec has placed great emphasis on designing cutting-edge solutions, aimed at operational efficiency and sustainability, in particular. The tension stringing equipment as well as the trenching technology have been conceived with the aim of proposing innovative solutions to reduce environmental impact. The history and business model of the Tesmec Group is characterised by innovation and sustainability.

Lower environmental impact, reduced emissions and safer solutions are key factors in the Group's development policy, reflected in its strategic choices and development plans. The Group aims to continue investing in "sustainable" innovation as part of the energy transition and digitalisation processes in all areas of activity: in the Stringing Equipment Segment, through the expansion of the "Full Electric - zero emission" range and the development of the new concept of integrated digital 4.0 systems for the transport and distribution of energy; in the Rail Segment, focused on the design of electric and hybrid rail vehicles equipped with diagnostic systems for increasingly advanced and safe infrastructures; in the Energy-Automation Segment, whose solutions are intrinsically dedicated to environmental sustainability as they enable the integration and management of renewable energy sources, as well as the streamlining of power networks; in the Trencher Segment, engaged in the study of systems that guarantee an increasingly lower environmental impact also thanks to the use of engines that comply with the latest regulations on atmospheric emissions, the development of systems that allow the recycling of excavated material for backfilling, and finally the development of more efficient solutions to reduce unit consumption and therefore CO_2 emissions per unit of excavated volume. The Trencher Segment is also developing the first electric trencher concept.

The Group's focus is not only on investing in technological solutions that aim to **reduce the carbon footprint**, but also on **promoting efficient and sustainable business processes** through the proper management of resources, thereby promoting the reduction of direct and indirect environmental impacts.

The activities and the significant contribution of Tesmec to climate change mitigation

The taxonomy disclosure reporting process is divided into the following phases:
01. Analysis of the economic activities of Tesmec.
02. Identification of the substantial contribution of the economic activities of Tesmec with respect to environmental objectives.
03. Allocation of indicators (Revenues (Turnover) - Investment (Capex) - Operating expenditure (Opex)) according to the methodology prescribed by EU regulations (Technical Screening Criteria - DNSH Analysis - Minimum Social Safeguard Criteria).

The Tesmec Group identified the economic activities as **enabling activities**, i.e. consisting of products and services that make a substantial contribution to other activities from an environmental perspective by contributing to the first objective identified by the European Commission, i.e. **climate change mitigation**.

In view of the above-mentioned publication of the Delegated Regulations defining criteria for all environmental objectives, Tesmec also analysed eligibility conditions for environmental objectives other than climate without identifying aligned or eligible activities. Based on the content of the Delegated Regulations and the activities carried out, it was decided to confirm that eligibility is currently attributable to Objective 1 Climate Change Mitigation.

According to the European Environment Agency, "Mitigation" means reducing the impact of climate change by preventing or reducing the emission of greenhouse gases (GHGs) into the atmosphere. Mitigation is achieved by reducing the sources of these gases (e.g. by increasing the share of renewable energy or creating a cleaner mobility system) or by enhancing their storage.

The data below is a summary of Tesmec's role and contribution to the substantial climate change mitigation objective. For further details, please refer to the analytical tables at the end of this paragraph.

The aligned activities are represented by that portion of Tesmec's eligible activities that meet the criteria set out in the Taxonomy Regulation of "substantial contribution" with respect to Environmental Objective 1. Climate change mitigation. For comparison purposes, the previous year's figures are also summarised.
In 2023, there is an increase in the proportion of aligned revenues, confirming the Group's strategy to prioritise "green & digital" products, with a focus on environmental impact, operational efficiency and safety. CapEx also increased, mainly due to the investment made for the construction of a new photovoltaic plant connected to the electricity distribution network at the Grassobbio headquarters, which expanded and upgraded the existing plant. OpEx is broadly in line with last year.

Indicators	Amounts (Euro)		Alignment (%)		Non-alignment (%)	
	2023	2022	2023	2022	2023	2022
Revenues	251,916,827	245,245,511	51.7%	43.6%	48.3%	56.4%
Investment (Capex) (*)	40,021,749	33,145,432	48.2%	30.3%	51.8%	69.7%
Operating costs	4,203,177	3,998,304	36.2%	34.1%	63.8%	65.9%

(*) The CapEx considered refers to increases in the year.

Economic activities				**EU 2023 taxonomy indicators (%)**			
Segment	Sector	Code	Description	*Objective: Climate change mitigation*	Revenues (Turnover)	Investments (Capex)	Operating costs (Opex)
Trencher	3 Manufacturing activities	3.1	Manufacture of renewable energy technologies	Aligned Eligible, but not aligned Not eligible	4.9% 11.5% -	7% 10.7% -	7.0% 0.8% -
		3.6	Manufacture of other low-carbon technologies	Aligned Eligible, but not aligned Not eligible	26.7% 11.4% -	23.7% 14.2% -	7.2% 28.2% -
Energy - Stringing equipment	3 Manufacturing activities	3.6	Manufacture of other low-carbon technologies	Aligned Eligible, but not aligned Not eligible	7.4% 9.6% -	10.6% 6.4% -	3.2% 12.5% -
Energy - Energy Automation	3 Manufacturing activities	3.1	Manufacture of renewable energy technologies	Aligned Eligible, but not aligned Not eligible	8.7% 1.1% -	4.2% 6.5% -	4.2% 0.5% -
Rail	3 Manufacturing activities	3.3	Manufacture of low-carbon technologies for transport	Aligned Eligible, but not aligned Not eligible	4.0% 14.7% -	2.7% 14.0% -	14.6% 21.8% -
Total				**Aligned** **Eligible, but not aligned** **Not eligible**	**51.7%** **48.3%** **-**	**48.2%** **51.8%** **-**	**36.2%** **63.8%** **-**

Compliance with specific technical screening criteria by economic activity

Segment	Economic activities	Description	Objective [Substantial contribution]
Trencher	3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energies are those defined in Article 2, paragraph 1, of Directive (EU) no. 2018/2001.	Climate change mitigation Delegated Regulation (EU) no. 2021/2139 04 June 2021
	3.6 Manufacture of other low-carbon technologies	Manufacture of technologies to substantially reduce greenhouse gas emissions in other sectors of the economy.	
Energy/Stringing equipment	3.6 Manufacture of other low-carbon technologies	Manufacture of technologies to substantially reduce greenhouse gas emissions in other sectors of the economy.	
Energy/Energy Automation	3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energies are those defined in Article 2, paragraph 1, of Directive (EU) no. 2018/2001.	
Rail	3.3 Manufacture of low-carbon technologies for transport	Manufacture, repair, maintenance, upgrading, change of use and modernisation of vehicles, rolling stock and low-carbon ships.	

3.1 Manufacture of renewable energy technologies [Trencher - Energy/Energy Automation]

Tesmec has assessed as eligible (Art. 3 of Regulation (EU) no. 2020/852) the **Energy Automation** activity, as well as the offer of **Trencher** (rental solutions and services) with operator (hot rental or wet rental) or without operator (cold rental or dry rental) addressed to wind or photovoltaic plant projects. The economic activities of these categories are related respectively to the NACE C27 code of Tesmec Automation S.r.l. and NACE C25 code of Tesmec S.p.A., in accordance with the statistical classification of economic activities defined by Regulation (EC) no. 1893/2006.

Activity 3.1 Manufacture of renewable energy technologies **Significant contribution to climate change mitigation**	
Technical screening criteria	**Results**
Economic activities that manufacture renewable energy technologies.	Tesmec analysed and reported turnover, OpEx and CapEx related to the development and installation of renewable energy technologies, as defined in Article 2, paragraph 1 of Directive (EU) no. 2018/2001[2].

3.6 Manufacture of other low-carbon technologies [Trencher - Energy/Stringing equipment]

Tesmec assessed the production of **stringing equipment and trenchers** as eligible (Art. 3 of Regulation (EU) no. 2020/852). The economic activity of this category is related to the NACE C25 code of Tesmec S.p.A., in accordance with the statistical classification of economic activities defined by Regulation (EC) no. 1893/2006.

Activity 3.6 Manufacture of other low-carbon technologies **Significant contribution to climate change mitigation**	
Technical screening criteria	**Results**
The economic activity manufactures technologies that significantly reduce life-cycle greenhouse gas emissions, and demonstrate such a reduction, compared to the best available alternative technologies/solutions/products on the market. The life cycle greenhouse gas emission reduction is calculated according to Commission Recommendation no. 2013/179/EU (96) or alternatively according to ISO 14067:2018 (97) or ISO 14064-1:2018 (98). The quantified life cycle greenhouse gas emission reduction is verified by an independent third party.	- the use of the **stringing equipment** machine 4.0 under standard conditions for a service life of 3,000 hours, compared to the use of a BAT machine under standard conditions for a service life of 3,000 hours, avoids the emission of 2,300 kg of CO2e (the impact is 2.4% lower); - the use of the **trencher** under standard conditions for a service life of 10,000 hours, compared to that of four excavators in standard conditions for a service life of 10,000 hours, avoids the emission of 5,250,000 kg of CO2e (the impact is 67.8% lower); - the use of surface miners (Rock Hawg) under standard conditions for a service life of 10,000 hours, compared to that of 11-16 excavators in standard conditions for a service life of 10,000 hours, avoids the emission of 1,121,231 - 6,617,020 kg of CO2e (the impact is 9.3%-37.6% lower); Based on the studies and evidence collected: **Energy/Stringing equipment** segment: the revenues (turnover) from the sale of the **"Full Electric" and "Digital Range 4.0" line of machines** were aligned. **Trencher** segment: the revenues (turnover) from the sale of the **latest generation of Trencher and surface miners** were aligned. The same approach was applied to the calculation of CapEx and OpEx.

Tesmec commissioned a study from a specialised consultant in 2022 in order to gain knowledge and awareness of the environmental impact associated with greenhouse gas emissions for both stringing machines and trenching technology. In particular, an analysis was carried out to determine the quantification of impacts in terms of

2 "Energy from renewable sources" or "renewable energy": energy from non-fossil renewable sources, i.e. wind, solar (solar thermal and photovoltaic) and geothermal energy, environment energy, tidal energy, wave and other forms of marine energy, hydraulic energy, biomass, landfill gas, sewage treatment plant gas and biogas.

greenhouse gas (GHG) emissions and removals during the life cycle. The aim of the activity was to verify potential environmental impacts related to Tesmec machinery, for the Climate Change category. In 2023, the Company continued with further Carbon Footprint studies on two other Tesmec trencher models, a Tesmec surface miner and an excavator from a market-leading competitor.

Tesmec has chosen to use the Carbon Footprint methodology, which is applied in accordance with International Standards: ISO 14067:2018 Environmental management - Carbon Footprint - Principles, requirements and guidelines/ISO 14040:2006+A1:2020 Environmental management - Life cycle assessment - Principles and framework/ISO 14044:2006+A2:2020 Environmental management - Life cycle assessment - Requirements and guidelines.

The study was carried out by analysing the consumption of resources, waste and materials for the different phases of the life cycle of the products from cradle to grave, i.e. the extraction and use of raw materials, the use of secondary materials, their transport and processing, the assembly process at the production factory, the distribution process of the finished products at the installation site, the installation of the products, the use phase including maintenance, and the end of life. For data collection, the period from January 2022 to December 2022 was taken as a reference and specific data was collected for all products under consideration.

In particular, the most important primary source data relates to raw materials, their transport, electricity, heat and water consumption, as well as waste generated in the assembly process, distribution distances and consumption during use and maintenance. Data from secondary sources relates to vehicle combustion processes (emissions, fuel consumption), electricity (distribution network, sulphur hexafluoride emissions, losses), extraction and processing of raw materials, the energy mix used (residual mix) and modelling of the proposed end of life.

The study results show that, for the impact category CF Total, consumption associated with downstream is predominant (> 85%) where the main impact is due to the use phase for all products analysed. A sensitivity analysis was carried out on the assumption concerning the transport of the finished product at the end of its life, which showed the validity of the assumptions made and the model developed.

The study on the competitor excavator was carried out by analysing the consumption of resources, waste and materials for the different phases of the product life cycle from cradle to grave, i.e. the extraction and use of raw materials, the related processing, the use phase including maintenance, and the end of life. For data collection, the period from January 2022 to December 2022 was used as a reference and proxy data was collected for all life cycle phases except for the use and maintenance phase.

The main data from primary sources concern the weight of machinery and consumption during use and maintenance.
Data from secondary sources concerns the composition of the machinery, consumption for the production of the machinery, transport and end-of-life modelling. The study results show that, for the impact category GWP Total, consumption associated with downstream is predominant (> 85%).

Finally, Tesmec has identified an independent third party to verify and validate the results of the product Carbon Footprint study (CFP) and its calculation, in accordance with the current version of the ISO 14067:2018 Standard and the Product Category Rules (PCR), or other applicable documents. This is a leading company in the world for inspection, testing, analysis and certification services company that carried out an audit to confirm that the quantification of the CFP was carried out in accordance with §6 of ISO 14067:2018 and the applicable PCR, confirm that the CFP study report was carried out in accordance with §7 of ISO 14067:2018, and confirm that the Carbon Footprint is accurate complete, consistent, transparent and free from material errors or omissions. The verification of the quantification method was carried out as follows:

1. Inspection of production factories to check that processes are as described in the documents;
2. Checking primary data collected and provided by the company, in particular: bill of materials, factory consumption, transport of raw materials and distribution of finished product, use phase;
3. Checking methodological choices and compliance with reference standards;
4. Checking the model used, consistency with the data collected and reports prepared, to quantify potential environmental impacts.

In addition to this audit, a critical review was also carried out to assess the additional analysis carried out by Tesmec as part of the same project on the competing excavator product.

The audit achieved its objectives satisfactorily and was concluded successfully.

3.3 Manufacture of low-carbon technologies for transport [Railway]

Tesmec assessed as eligible (Art. 3 of Regulation (EU) no. 2020/852) the production activity of **railway equipment**. The economic activity of this category is related to the NACE C30.2 code of Tesmec Rail S.r.l., in accordance with the statistical classification of economic activities defined by Regulation (EC) no. 1893/2006.

Activity 3.3 Manufacture of low-carbon technologies for transport **Significant contribution to climate change mitigation**	
Technical screening criteria	**Results**
Manufacture, repair, maintenance, upgrading, change of use or modernisation of: a) trains, passenger carriages and railway wagons with zero direct CO2 emissions (from exhaust); b) trains, passenger carriages and railway wagons with zero direct CO_2 emissions (from exhaust) when operating on tracks with the required infrastructure and using a conventional engine when such infrastructure is not available (bimodal).	The analyses of this economic activity included in the calculation of the percentage of revenues (turnover) relating to economic activities in line with the Taxonomy only revenue relating to vehicles equipped with a bimodal propulsion system, capable of operating with catenary wire system electric power or diesel-electric traction. The same approach was adopted for the calculation of the percentage of CapEx and OpEx. The Research & Development hours related to the design of vehicles with electric, hybrid and bimodal traction were taken into account.

Do Not Significant Harm – DNSH principle

The DNSH (Do Not Significant Harm) principle is defined by Regulation (EU) no. 2020/852 on Taxonomy (Article 17) and envisages that, in order to be defined as sustainable, an economic activity must not only contribute significantly to one or more of the environmental objectives set out in Article 9 of the Regulation, but must not harm any of the remaining objectives.

In carrying out economic activities, the Tesmec Group takes into account the environmental impact of its business and the environmental impact of the products and services it provides. As also reported in the Sustainability Policy, Tesmec undertakes not to produce negative impacts on the environmental objectives defined in the Taxonomy Regulation, complying with the DNSH principle.

Considering that the substantial contribution identified is related to climate change mitigation, the analysis was carried out on the basis of the provisions of Delegated Regulation (EU) no. 2021/2139 of 4 June 2021, which complements Regulation (EU) no. 2020/852 by setting technical screening criteria for climate objectives (mitigation and adaptation). The Annexes to the Delegated Regulation define the criteria to be followed to verify compliance with the DNSH principle. These criteria can be specific or generic in relation to the various activities. The generic criteria can be found in the Appendices to the Annexes.

For Annex 1 (Objective 1 - Climate Change Mitigation), Appendix A sets out the criteria for Objective 2 Climate Change Adaptation, while Appendices B, C, D set out the criteria for the objectives on water/marine resources, pollution/chemicals and biodiversity/ecosystems, respectively.

The internal analysis process concerned the Group's assets identified as eligible for the purposes of the European taxonomy, for which the alignment with the technical screening criteria identified by Delegated Regulation no. 2021/2139 was calculated. In particular:

a) involvement of Tesmec's Business Unit managers and technical analysis of eligible activities against the specific DNSH criteria;
b) process analysis for the management of activities/Business Units;
c) documentary analysis.

The table summarises the results of the analysis carried out for DNSH purposes and then presents the results of the analysis carried out for each business unit.

Tesmec activities		DNSH alignment (YES/NO)				
Business Unit	**Segment**	**Climate change adaptation**	**Water and marine resources**	**Transition Circular economy**	**Pollution**	**Biodiversity and ecosystems**
Trencher	-	YES	YES	YES	YES	YES
Energy	Stringing Equipment	YES	YES	YES	YES	YES
Energy	Energy Automation	YES	YES	YES	YES	YES
Rail	-	YES	YES	YES	YES	YES

Assets
3.1. Manufacture of renewable energy technologies [Trencher - Energy/Energy Automation]
3.6 Manufacture of other low-carbon technologies [Trencher - Energy/Stringing equipment]

Alignment with DNSH criteria
Delegated Regulation EU no. 2021/2139 - Annex 1 - Climate Change Mitigation

2 Adaptation to climate change

Criteria set out in Appendix A
Generic DNSH criteria for climate change adaptation.

Areas of assessment
a) Identification of physical climate risks;
b) if the activity is considered to be at risk: climate risk and vulnerability assessment;
c) assessment of adaptation solutions that can reduce the identified physical climate risk.

Trencher
The analysis did not reveal any physical climate risks that could significantly affect economic activity.

Energy/Stringing equipment
The analysis did not reveal any physical climate risks that could significantly affect economic activity.

It should be noted, in this regard, that the new full electric machines in the Energy Stringing segment have been specifically designed to meet the technical requirements of laying high-voltage underground power lines; this type of line guarantees greater safety and better continuity of transmission service even in the event of natural disasters than traditional aerial lines.

Energy/Energy Automation
The analysis did not reveal any physical climate risks that could significantly affect economic activity.

The products are installed within electricity transmission and distribution networks to protect and monitor these networks (also remotely); therefore, depending on the peculiarities of the individual product and the type of installation, the devices are always equipped with appropriate weather protection mechanisms, limiting the risk of failure even in the event of unforeseen natural events; the resilience of these products brings benefits to the network on which they are installed, in terms of security and continuity of operation.

3 Sustainable use and protection of water and marine resources

Criteria set out in Appendix B
Generic DNSH criteria for the sustainable use and protection of water and marine resources.

Areas of assessment:
Good water status and ecological potential;
Management Plan for Water Use and Protection.

The analysis carried out did not reveal any particular risks of environmental degradation related to the preservation of water quality and the prevention of water stress in relation to the carrying-out of economic activity.

The production sites are in line with national and regional directives on wastewater management.

4 Transition to a circular economy

Specific DNSH criteria
a) reuse and use of secondary raw materials and reused components in the manufacture of products;
b) designed for high durability, recyclability, easy disassembly and adaptability of manufactured products;
c) waste management that favours recycling over disposal in the manufacturing process;
d) information on and traceability of potentially hazardous substances throughout the life cycle of manufactured products.

Trencher
The analysis carried out showed that the technology adopted for the machinery used for the business, accompanied by a study of the subsoil and the type of intervention, made it possible to minimise the impact on the surrounding area and limit the environmental impact, compared with the application of traditional excavation techniques.

The efficiency and precision of the trenchers reduce lead times and the number of machines used, limiting the use of resources with the same performance. The restoration and closure works of the excavation are carried out with a preference for the recovery of up to 100% of the excavated material, possibly compacted using environmentally friendly binders. During the excavation phase, the machine also simultaneously crushes the material, allowing it to be reused without the need for further crushing.

The Group adopts the ISO 14001:2015 certified management system and constantly monitors regulatory developments. Waste is managed in accordance with Italian regulations with annual submission of the MUD and registration of loads and discharges not only on the relevant paper registers, but also via a specific database.

Energy/Stringing equipment

The segment is diversifying its machinery design and production in line with evolving market requirements.

Tesmec's production is specifically oriented towards the development of full electric machines, able to provide a performance in line with the peculiarities of the project. Electrically driven machines have been on the market since 2022 and currently represent around 10% of total production, with growing demand. These technologies are designed to optimise the use of natural and economic resources, as they do not require the use of hydraulic oil - as they have no traditional hydraulic system - and limit noise pollution and greenhouse gas emissions during operation.

The design of full electric vehicles aims to make the management of machinery smart, starting from the possibility of disassembling individual components, allowing them to be replaced, repaired or maintained, with a special attention to the flexibility of the electric battery - a critical element from the point of view of vehicle autonomy - which in the new models can be replaced and recharged separately, guaranteeing the continuity of operation of the vehicle on the construction site.

In general, the design has always been focused on ensuring high product durability and resilience; full electric machines also meet this requirement, as the life time of the main components is longer than the life time of the machine itself, and therefore do not require significant periodic replacements, which would have a major impact on waste management and disposal.

All the machines, whether with traditional hydraulic systems or electric transmission, are equipped with REM (Remote Monitoring System) 4.0 technologies that allow remote operation of the vehicle, as well as constant status monitoring, the programming of ad hoc maintenance cycles, and the adjustment of engine power according to performance requirements, resulting in a reduction in overall consumption of between 25 and 30% compared to traditional machines.

The Group adopts the ISO 14001:2015 certified management system and constantly monitors regulatory developments. Waste is managed in accordance with Italian regulations with annual submission of the MUD and registration of loads and discharges not only on the relevant paper registers, but also via a specific database.

Energy/Energy Automation

By their very nature, the products of the Energy Automation segment are at the heart of the process of integrating renewable energy sources into the traditional network, contributing significantly to the energy transition objectives by optimising and increasing the efficiency of networks and substations through the sale of innovative products and solutions for line monitoring and stabilisation.

The products are designed to ensure high resistance and durability. In particular, the devices are marketed with a carbon footprint assessment certified by a third party, according to the UNI EN ISO 14067 standard directives, and equipped with a disassembly manual for end-of-life management and proper disposal of components, in accordance with the provisions of Italian Legislative Decree no. 118/2020 on the collection, treatment and recycling of WEEE.

The Group adopts the ISO 14001:2015 certified management system and constantly monitors regulatory developments.

5 Pollution prevention and reduction	
Criteria set out in Appendix C Generic DNSH criteria for pollution prevention and control regarding the use and presence of chemicals	Analyses conducted at all Group plants by the Quality, Safety and Environment Department showed that all substances used comply with Appendix C.
The activity does not involve the manufacture, marketing or use of: a) substances pursuant to Regulation (EU) no. 2019/1021); b) mercury, mercury compounds, mercury mixtures and products with added mercury (Article 2 Regulation (EU) no. 2017/852); c) ozone-depleting substances (Regulation (EU) no. 2009/1005);	The Group carried out a comparative analysis of all substances/chemicals used at its production sites. The verification of all the substances listed in the safety data sheets (SDS) of the chemical products used at all Tesmec S.p.A. factories (Endine Gaiano, Grassobbio and Sirone), in relation to the relevant European directives and/or regulations, did not reveal any correlation with the presence of banned and/or restricted products according to the current DNSH criteria.

d) substances pursuant to Annex II Directive (EU) no. 2011/65 (electrical and electronic equipment); e) substances pursuant to Annex XVII of Regulation (EC) no. 2006/1907; f) substances pursuant to Article 57 Regulation (EC) no. 2006/1907 criteria (e.g. substances that are carcinogenic, mutagenic, toxic for reproduction, persistent, bioaccumulative and toxic, and substances that disrupt the endocrine system or for which there is evidence of serious effects on human health or the environment); g) other substances, pursuant to Article 57 of Regulation (EC) no. 2006/1907.	
6 Protection and restoration of biodiversity and ecosystems	
Criteria set out in Appendix D Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems. Areas of assessment ▪ Environmental Impact Assessment (EIA) as per Directive no. 2011/92/EU; ▪ In case of an EIA: the necessary mitigation and compensation measures were implemented to protect the environment. ▪ Sites and operations located in or near biodiversity-sensitive areas: assessment and, based on the findings, necessary mitigation measures are implemented.	Tesmec's plants are not subject to an EIA as the environmental impact of the plants is not relevant according to industry guidelines. Moreover, the plants themselves are not located in sensitive areas for the purpose of protecting biodiversity and potential impacts. With regard to the sites where the Business Unit's products are used, it should be noted that the responsibility for any environmental impact assessments or specific examinations regarding possible impacts on the protection of biodiversity and ecosystems lies directly with the customer/client.

Assets **3.3. Manufacture of low-carbon technologies for transport [Rail]**	
Alignment with DNSH criteria *Delegated Regulation EU no. 2021/2139 - Annex 1 - Climate Change Mitigation*	
2 Adaptation to climate change	
Criteria set out in Appendix A Generic DNSH criteria for climate change adaptation.	The analysis did not reveal any physical climate risks that could significantly affect economic activity. The designed diagnostic tools are able to monitor parameters to continuously record the state of the rail infrastructure and envisage targeted and efficient maintenance cycles, identifying physiological or unforeseen anomalies caused, among other things, by possible natural disasters. This also provides greater confidence in terms of repeatability and quality of measurements, as well as the ability to process large volumes of data using AI, comparing measurements with predefined standards and eliminating the risk of false negatives and false positives. From an environmental point of view, these systems offer benefits both in terms of safety during operation, as well as an advantage in terms of efficiency of the infrastructure's energy requirements, as they allow maintenance to be optimised according to the specific need.
3 Sustainable use and protection of water and marine resources	
Criteria set out in Appendix B Generic DNSH criteria for the sustainable use and protection of water and marine resources.	The analysis did not reveal any particular risks of environmental degradation related to the preservation of water quality and the prevention of water stress in relation to the carrying-out of economic activity. The production sites are in line with national and regional directives on wastewater management.
4 Transition to a circular economy	
Specific DNSH criteria: *as for Business Unit Trencher*	With regard to waste management, internal procedures and collaboration agreements are established with certified entities for the disposal of special waste, including hydraulic oil and paint, which is recycled where possible. Waste is managed in accordance with Italian regulations with annual submission of the MUD and registration of loads and discharges not only on the relevant paper registers, but also via a specific database.

	The Business Unit is implementing a development programme for the transition from traditional diesel-powered machinery to bi-modal, hybrid and full electric machinery, depending on the type of application for which they are intended and their respective characteristics. These machines are already in production and, thanks to the electric traction and the absence of hydraulic oil in the engine, allow efficient use of resources and significantly reduce environmental impact. The Group adopts the ISO 14001:2015 certified management system and constantly monitors regulatory developments.
5 Pollution prevention and reduction	
Criteria set out in Appendix C Generic DNSH criteria for pollution prevention and control regarding the use and presence of chemicals	Analyses conducted at all Group plants by the Quality, Safety and Environment Department showed that all substances used comply with Appendix C. The Group carried out a comparative analysis of all substances/chemicals used at its production sites. The verification of all the substances listed in the safety data sheets (SDS) of the chemical products used at all Tesmec Rail factories (Monopoli and Bitetto), in relation to the relevant European directives and/or regulations, did not reveal any correlation with the presence of banned and/or restricted products according to the current DNSH criteria.
6 Protection and restoration of biodiversity and ecosystems	
Criteria set out in Appendix D Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems.	Tesmec's plants are not subject to an EIA as the environmental impact of the plants is not relevant according to industry guidelines. Moreover, the plants themselves are not located in sensitive areas for the purpose of protecting biodiversity and potential impacts. With regard to the sites where the Business Unit's products are used, it should be noted that the responsibility for any environmental impact assessments or specific examinations regarding biodiversity lies directly with the customer/client.

Compliance with minimum safeguards

The minimum safeguards are defined by the EU Taxonomy Regulation (2020/852), Article 18, *procedures implemented by an enterprise carrying out an economic activity to ensure that it is in line with the OECD Guidelines for Multinational Enterprises and with the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights*.

The eco-sustainability criteria of economic activities laid down in Article 3 of Regulation (EU) no. 2020/852 require that in order to establish the degree of eco-sustainability of an investment, an economic activity is considered eco-sustainable if, in addition to the other criteria set out in the previous paragraphs (eligibility - alignment with technical criteria - DNSH) it is (letter c) Article 3) *carried out in compliance with the minimum safeguards laid down in Article 18.*

Human rights

In terms of compliance with the minimum guarantees of social protection, Tesmec, in line with the request of Article 18 of the EU Taxonomy, believes that the defence and enhancement of human rights is an indispensable prerogative for entering into any economic and commercial relationship. Respect for human rights is considered a fundamental element in the pursuit of sustainable development. In this regard, the Group has adopted the Human Rights Policy that defines the fundamental principles, rules of conduct and commitments on human rights that Tesmec recognises and complies with. Tesmec's Human Rights Policy is based on internationally generally accepted declarations and conventions, standards and principles, guidelines and recommendations, as well as strict compliance with company regulations and procedures.

Corruption

Tesmec is aware that the phenomenon of corruption is an obstacle to economic, political and social development, causing a significant distortion of the rules, fairness and transparency of markets. Therefore, in carrying out its activities, it is actively committed to preventing and combating corruption, in accordance with the principles of legality, honesty, integrity, fairness and transparency on which the Group's Code of Ethics is based. The approach to preventing and combating corruption is substantiated through the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 (including the Group's Code of Ethics) and the Group Anti-

Corruption Policy, which provides a systematic framework on anti-corruption and sets out the principles and rules to be followed in order to prohibit and prevent any corrupt conduct.

Taxation

The Group believes that responsible tax practices support the economic and social development of the markets in which it operates and that the efficient, effective and sustainable management of tax variables not only supports the Group's business but also maximises value for stakeholders. In line with these principles, the choice of countries in which the Group operates is guided solely by business considerations and the Group does not operate in countries considered to be tax-privileged for the sole purpose of reducing the tax burden. Similarly, the Group does not engage in false transactions, for the purpose of tax avoidance or with undue tax benefits, which result in constructions that do not reflect the underlying economic reality, as this would be contrary to ethical and transparent conduct in the management of tax activities.

Free competition

The Group ensures compliance with the general conditions of freedom of enterprise and is committed to avoiding any form of restriction or distortion of free competition in order to allow economic operators to enter the market and compete on equal terms and, to protect its customers, who are interested in high quality standards at low prices. The Group does not conceal any information requested by the Antitrust authority or if requested during any inspection. The principle of accountability in every transaction is a fundamental pillar of Tesmec to avoid any kind of asymmetric information or conflict of interest. Tesmec is committed to providing stakeholders with clear, timely and transparent information about its financial and management performance, without favouring any interests, so that they can make independent and informed decisions.

CapEx/OpEx individually eligible

According to the reference regulations, it is allowed to consider as eligible CapEx and OpEx other expenses related to the purchase of goods and services related to different eligible economic activities, if these purchases contribute to emission reductions and if the economic activity of the supplier is eligible for the taxonomy.

Investments (CapEx) - no significant investments that would fall under the above definition were made during 2023.
Operating expenditure (OpEx) - at present, Tesmec does not have the necessary information to be able to identify any purchases eligible for the taxonomy. The collection of such information requires a prior and analytical assessment of the suppliers' activities and collection of information.

Portion of revenues from products or services associated with economic activities in line with the 2023 taxonomy

Economic Activities			NACE Code	Revenues (Euro million)	% of revenues	Criteria for substantial contribution (%)						Criteria for not causing significant harm (DNSH) (YES/NO)						Minimum safeguard guarantees (YES/NO)	Revenue portion in line with taxonomy (%)	Qualifying activity category (A)	Transition activity category (T)
						Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ecosystems				
A	**Activities eligible for taxonomy**																				
A.1	Environmentally sustainable activities Activities in line with the taxonomy																				
	3.1	Manufacture of renewable energy technologies	C27 - C25	34,265,928 €	13.6%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	14.3%		
	3.3	Manufacture of low-carbon technologies for transport	C30.2	9,953,769 €	4.0%	100%	0%	0%	0%	0%	0%	N/A	YES	YES	YES	YES	YES	YES	1.6%		
	3.6	Manufacture of the low-carbon technologies	C25	85,936,395 €	34.1%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	27.7%		
	Revenues from environmentally sustainable activities (in line with the taxonomy) (A.1)			130,156,092 €	51.7%	100%	0%	0%	0%	0%	0%								43.6%	A	
A.2	Activities eligible for taxonomy but not environmentally (Activities not in line with the taxonomy)																				
	3.1	Manufacture of renewable energy technologies	C27 - C25	31,888,558 €	12.7%																
	3.3	Manufacture of low-carbon technologies for transport	C30.2	36,933,278 €	14.7%																
	3.6	Manufacture of the low-carbon technologies	C25	52,938,899 €	21.0%																
	Revenues from activities eligible for taxonomy but not environmentally sustainable (activities not in line with the taxonomy) (A.2)			121,760,735 €	48.3%																
	Total revenues from eligible activities (A.1 + A.2)			251,916,827 €	100.0%																
B	**Activities not eligible for taxonomy**																				
	Revenues from activities not eligible for taxonomy (B)			0.00 €	0.0%																
	Total (A) + (B)			251,916,827 €	100.0%																

	Proportion of Turnover/Total Turnover	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	51.7%	48.3%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

<u>Portion of investment associated with economic activities in line with the 2023 taxonomy</u>

	Economic Activities	NACE Code	Investment (Euro million)	% of investment	Criteria for substantial contribution (%)						Criteria for not causing significant harm (DNSH) (YES/NO)						Minimum safeguard guarantees (YES/NO)	Investment portion in line with taxonomy (%)	Qualifying activity category (A)	Transition activity category (T)
					Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ecosystems				
A	**Activities eligible for taxonomy**																			
A.1	Environmentally sustainable activities Activities in line with the taxonomy																			
3.1	Manufacture of renewable energy technologies	C27 - C25	4,501,636 €	11.3%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	10.9%		
3.3	Manufacture of low-carbon technologies for transport	C30.2	1,066,631 €	2.7%	100%	0%	0%	0%	0%	0%	N/A	YES	YES	YES	YES	YES	YES	7.0%		
3.6	Manufacture of the low-carbon technologies	C25	13,736,260 €	34.4%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	12.4%		
	Investment in environmentally sustainable activities (in line with the taxonomy) (A.1)		19,304,527 €	48.3%	100%	0%	0%	0%	0%	0%								30.3%	A	
A.2	Activities eligible for taxonomy but not environmentally (Activities not in line with the taxonomy)																			
3.1	Manufacture of renewable energy technologies	C27 - C25	6,939,202 €	17.4%																
3.3	Manufacture of low-carbon technologies for transport	C30.2	5,606,341 €	14.0%																
3.6	Manufacture of the low-carbon technologies	C25	8,111,427 €	20.3%																
	Investment in activities eligible for taxonomy but not environmentally sustainable (activities not in line with the taxonomy) (A.2)		20,656,970 €	51.7%																
	Total investment in eligible activities (A.1 + A.2)		39,961,498 €	100.0%																
B	**Activities not eligible for taxonomy**																			
	Investment in activities not eligible for taxonomy (B)		0.00 €	0.0%																
	Total (A) + (B)		39,961,498 €	100.0%																

	Proportion of CapEx/Total CapEx	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	48.3%	51.7%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Portion of operating expenses deriving from products or services associated with economic activities in line with the 2023 taxonomy

Economic Activities		NACE Code	Operating expenses (Euro million)	% of operating expenses	Criteria for substantial contribution (%)						Criteria for not causing significant harm (DNSH) (YES/NO)						Minimum safeguard guarantees (YES/NO)	Portion of operating expenses in line with taxonomy (%)	Qualifying activity category (A)	Transition activity category (T)
					Climate change mitigation	*Climate change adaptation*	*Water and marine resources*	*Circular economy*	*Pollution*	*Biodiversity/eco systems*	*Climate change mitigation*	*Climate change adaptation*	*Water and marine resources*	*Circular economy*	*Pollution*	*Biodiversity/eco systems*				
A	**Activities eligible for taxonomy**																			
A.1	Environmentally sustainable activities Activities in line with the taxonomy																			
3.1	Manufacture of renewable energy technologies	C27 - C25	468,172 €	11.1%	100%	0%	0%	0%	0%	0%	N/A	YES	YES	YES	YES	YES	YES	6.2%		
3.3	Manufacture of low-carbon technologies for transport	C30.2	612,134 €	14.6%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	15.9%		
3.6	Manufacture of the low-carbon technologies	C25	439,358 €	10.5%	100%	0%	0%	0%	0%	0%		YES	YES	YES	YES	YES	YES	12.0%		
	Operating expenses of environmentally sustainable activities (in line with the taxonomy) (A.1)		1,519,663 €	36.2%	100%	0%	0%	0%	0%	0%								34.1%	A	
A.2	Activities eligible for taxonomy but not environmentally (Activities not in line with the taxonomy)																			
3.1	Manufacture of renewable energy technologies	C27 - C25	52,245 €	1.2%																
3.3	Manufacture of low-carbon technologies for transport	C30.2	916,142 €	21.8%																
3.6	Manufacture of the low-carbon technologies	C25	1,715,127 €	40.8%																
	Operating expenses of activities eligible for taxonomy but not environmentally sustainable (activities not in line with the taxonomy) (A.2)		2,683,514 €	63.8%																
	Total operating expenses of eligible activities (A.1 + A.2)		4,203,177 €	100.0%																
B	**Activities not eligible for taxonomy**																			
	Operating expenses of activities not eligible for taxonomy (B)		0.00 €	0.0%																
	Total (A) + (B)		4,203,177 €	100.0%																

	Proportion of Opex/Total Opex	
	Taxonomy aligned per objective	**Taxonomy eligible per objective**
CCM	36.2%	63.8%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

4.6 Human Resources

4.6.1 Human resource policies and management

GRI Standards	3-3; 406-1

The Human Resources Department of Tesmec S.p.A. acts as a coordinator for the corresponding local functions; however, each Group company has its own management as a result of the needs arising from specific local legislation.

The policies implemented are based on the principles and indications contained in the Code of Ethics, which inspires the entire Tesmec Group. A single human resources policy has not yet been formalised. The Code of Ethics affirms the fundamental commitments according to which the Group companies safeguard and promote the value of human resources in order to increase the wealth of expertise of each employee, the respect for a person's physical, moral and cultural integrity.

Moreover, the SPEED values (Safety and ethics, orientation to Performance improvement for self and team, Empowerment for continuous improvement, Enthusiasm passion, commitment, and self-motivation and ADaptability) shared by Tesmec are fundamental to increase awareness and knowledge of the principles that unite the human resources of all Group companies.

Management model

Tesmec's human capital management model is based on the **Global Integration Project**, which is committed to promoting an organisational design aimed at aligning business processes in order to promote and enhance synergies at Group level.

The model of the organisational structure, by developing bottom-up activities, encourages greater involvement in every development, growth, internal communications and moments of confrontation with Management. In particular, the elements that characterised Tesmec Group's personnel management system in 2023 are reported below:

- new organisational models and cross-fertilisation (brainstorming methodology designed to foster the contamination of knowledge and skills and the emergence of innovative ideas);
- consolidation and strengthening of the HR platform;
- projects in partnership with schools and universities;
- promotion of social integration activities;
- greater involvement of resources within the company to contribute to the creation and consolidation of a collective identity and a shared culture;
- incentive plans;
- training plan and skill development;
- dialogue and relations with trade unions and workers' representatives;
- launch of innovative recruiting methods, using social logics;
- systems for managing health, safety and environmental topics.

Since 2021, with a view to streamlining and standardising HR processes at Group level, a project is underway to implement the new HR management system, which will be used across the board by all Italian and foreign companies and will be operational at the main Group companies from next year. The project represents a significant investment, a sign of the importance of human capital for Tesmec. In fact, the primary objective of the project is to provide the company and its human resources with an enabling system, fostering the growth of people as well as pursuing the Group's digital evolution path.

Recruitment and retention policies

The Tesmec Group is aware that human capital and relations with its employees represent a strategic resource to be maintained. For this reason, in order to limit the outgoing turnover rate and the loss of trained and high-potential resources, Tesmec is committed to developing its human capital, creating the basis for a shared pool of knowledge and decent work in terms of remuneration, incentives, well-being, identity and a sense of belonging.

As explained in the Code of Ethics, the Group safeguards and promotes the value of human resources in order to increase the wealth of expertise of each employee and encourages the respect for a person's physical, moral and cultural integrity.

As in the previous year, the Tesmec Group tried to guarantee a level of business continuity and growth for 2023, trying to reinvest in human capital both through a strong replacement action and through the placement of new professionals required by technological evolution and change.

For the Group, the processes of attracting qualified figures and relevant specialist profiles are integrated into the practice followed daily in personnel management.

Diversity, equity and inclusion

In 2023, as in previous years, there were no cases of discrimination.

With reference to the investigation of the case of alleged discrimination that took place in 2018 in relation to Tesmec USA, it should be noted that the judgement of the court of first instance rejected the allegations of discrimination and upheld the counterclaims relating to the terms of dismissal. At the suggestion of the appointed lawyer and in order to avoid the continuation of the dispute and its consequences, it entered into a settlement agreement.

Welfare and Working Environment

During the year, the Group continued the initiatives undertaken over the past years to ensure a good work-life balance. In particular, reference is made to the following:

- smart working for all office personnel, flexitime in/out and elasticity on a monthly basis were maintained;
- a Solidarity Time Bank was set up on a permanent basis to donate leave hours to colleagues in need;
- new leave and flexibility tools were introduced for parent workers, and the possibility of smart working and/or part-time work was extended;
- the possibility to request severance indemnity advances or loans in case of special economic requirements was given.

Maintaining these initiatives demonstrates the strong sense of responsibility shown by the Group towards its resources. Tesmec is aware that poor work management can lead to increased stress levels for its employees and a consequent increase in the number of work-related illnesses and accidents. For this reason, the company works to promote a safe and healthy workplace for all workers.

Evaluation of the performance

New measurement parameters were created for performance indicators for strategic figures, relating and orienting them towards sustainability and ESG issues, as well as increasing management engagement with a view to strengthening short-term incentives for profitability indicators divided by Company and Business Unit.

Industrial/trade union relations

The industrial relations that the Group maintains are based on constructive dialogue with trade unions in compliance with the regulations in force and, in any case of company reorganisation and restructuring, workers and their representatives are informed in advance, with deadlines that vary depending on the Country in which the Group operates in full compliance with local laws, of collective labour agreements in force and of trade union agreements.

Tesmec's trade union relations take the form of engagement activities, such as meetings between the unions and the company and its employees.

The activities carried out by Tesmec S.p.A. in 2023 include, in addition to constant correspondence, regular meetings with the trade unions to present the company's performance and the performance bonus, as well as discussions on trade union agreements, which may cover various topics including, but not limited to, welfare, working conditions and the performance bonus.

4.6.2 New employee hires and employee turnover

GRI Standards	3-3; 401-1

During 2023, the Group's employment increased by 6%, bringing the figure to 1,026 for the year 2023. During the year, Tesmec worked to realign demand and supply of skills in the market to meet new needs and acquire new skills in a context of continuous change in terms of technological developments trying to operate in terms of talent attraction and retention through Continuous Training, implementation of Digital Transformation and an enhancement of Teamworking and Networking.

During the three-year period, the following turnover indices were recorded, broken down by age group, gender and geographic area.

Employee Turnover[1]	Positive employee turnover - employee hires			Negative employee turnover - terminations		
	2023	2022	2021	2023	2022	2021
Age group						
<30	52%	43%[2]	41%	29%	30%[2]	18%
30-50	20%	15%	17%	14%	15%[2]	11%
>50	13%	10%[2]	7%	18%	19%[2]	12%
Gender						
Man	22%	18%[2]	19%	17%	18%[2]	13%
Woman	24%	26%[2]	18%	13%	22%	14%
Geographic area						
Italy	18%	12%	14%	10%	9%	6%
France	12%	21%[2]	14%	13%	24%[2]	12%
United States	44%	22%	15%	32%	22%	24%
Rest of the world	35%	40%[2]	43%	33%	46%[2]	37%
Total	**22%**	**19%**[2]	**19%**	**16%**	**19%**[2]	**13%**

[1] Note that the data of Tesmec USA, Inc. broken down by age group is not available for 2021 and 2022 in that, by a previous company decision, these values were not monitored or reported by the company, in order to avoid the disclosure of data subject to possible disputes.
[2] The published data for 2022 are slightly different from those reported in the 2022 NFS due to a review of personnel data collection processes.

During the reporting period, the recruitment rate slightly increased compared to the previous year (22% in 2023 and 17% in 2022). The data collected, considering the specified exclusions, show that in 2023 there was a greater incidence of hiring for employees under 30 years of age (52%), compared to the rates recorded for the other age groups. Moreover, recruitment by gender out of the total number of employees increased more for the women (24%) than for the men (22%) during this reporting year. These two figures demonstrate Tesmec Group's willingness to invest in young people and to increase the presence of women in an almost male-dominated business.

With reference to the negative employee turnover rate, down compared to last year (from 19% in 2022 to 16% in 2023), a higher rate was recorded in the under-30 age group (29%), considering the trend by age group during the year subject to reporting. The main reason for the increase in the employee turnover rate is the variety and competitiveness of job offers in a dynamic market.

Specifically, the figures for new employee hires and turnover are broken down below in absolute terms for the years 2022 and 2023.

New employee hires:

	Italy			France			USA			Rest of the World		
Age group	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
<30	9	19[2]	28[2]	2	7	9	N/D	N/D	N/D	10	16	26
30-50	3	30[2]	33[2]	4	15	19	N/D	N/D	N/D	2	26	28
>50	1	6	7	1	1	2	N/D	N/D	N/D	2	7	9
Total 2022[1]	**13**	**55**	**68**	**7**	**23**	**30**	**2**	**15**	**17**	**14**	**49**	**63**
<30	12	35	47	3	4	7	-	11	11	3	15	18
30-50	7	44	51	1	5	6	-	15	15	3	32	35
>50	-	7	7	1	2	3	3	6	9	1	6	7
Total 2023	**19**	**86**	**105**	**5**	**11**	**16**	**3**	**32**	**35**	**7**	**53**	**60**

[1] Note that the data of Tesmec USA, Inc. broken down by age group is not available for 2022 in that, by a previous company decision, these values were not monitored or reported by the company, in order to avoid the disclosure of data subject to possible disputes.
[2] The published data for 2022 are slightly different from those reported in the 2022 NFS due to a review of personnel data collection processes.

Terminations:

	Italy			France			USA			Rest of the World		
Age group	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
<30	2	11	13	-	5	5	N/D	N/D	N/D	3[2]	23[2]	26
30-50	6	15	21	6	13	19	N/D	N/D	N/D	7	30	37
>50	2	14	16	-	10	10	N/D	N/D	N/D	2	7	9
Total 2022[1]	**10**	**40**	**50**	**6**	**28**	**34**	**3**	**14**	**17**	**12[2]**	**60[2]**	**72**
<30	2	16	**18**	-	1	1	1	5	6	5	17	22
30-50	3	19	**22**	1	9	10	1	13	14	2	24	26
>50	-	15	**15**	1	6	7	-	5	5	2	7	9
Total 2023	**5**	**50**	**55**	**2**	**16**	**18**	**2**	**23**	**25**	**9**	**48**	**57**

[1] Note that the data of Tesmec USA, Inc. broken down by age group is not available for 2022 in that, by a previous company decision, these values were not monitored or reported by the company, in order to avoid the disclosure of data subject to possible disputes.
[2] The published data for 2022 are slightly different from those reported in the 2022 NFS due to a review of personnel data collection processes.

During 2023, the Tesmec Group pursued its talent acquisition strategy to attract the best resources, which includes three fundamental steps:

1. fall into line with the main company objectives, to launch a talent acquisition strategy targeted to the real needs of personnel for the coming years;
2. use flexible talent to future-proof the company;
3. strengthen employer branding to attract more qualified candidates.

In order to increase collaboration networks between the world of education and the world of work, during 2023, 66 students from schools that are close to the various Tesmec offices were hosted at the Group's Italian premises, offering on-the-job training experience and an opportunity for orientation in order to develop the skills needed to deal with the world of work in a conscious way.

In order to continue the partnerships that have been consolidated over the years with the universities and technical institutes of the Bergamo area, Tesmec participated in numerous career days during the year.
Tesmec also took part in a round table with other companies at the Cremona territorial pole of the Politecnico di Milano.

Among other projects aimed at improving Tesmec's attractiveness on the labour market, other initiatives were promoted during 2023 in collaboration with the partner Manpower. In particular, two Speed Dates, in person, were organised to assess the profiles of young people who had recently graduated or were about to complete their studies in the engineering/technical field.

During 2023, the project launched last December in cooperation with ITIS Paleocapa on "Certification of skills" was successful. The aim of the Project work is to give Tesmec the opportunity to contribute, through school and company meetings, as well as curricular internships in the summer, to accompany the students of ITIS Paleocapa, at the end of the fifth year, to take the Skills Test, 2D and 3D Technical Drawing, in particular.

Also for 2023, the company, in collaboration with the Parmigiani Foundation and the Patronato San Vincenzo, has set up an internship programme that will enable interested young people to obtain a high school diploma and a certificate of higher technical specialisation. In this context, two resources were employed under the apprenticeship contract art. 43 for vocational qualification and diploma, high school diploma and higher technical specialisation certificate.

With this in mind, and to help young people find employment, Tesmec has initiated two projects with local schools that are part of the M2a network:

- Inclusion: enabling fourth and fifth grade students with disabilities under Italian Law no. 104 to follow a job placement process through curricular internships during the school year, before graduation;
- Natural wastage: in collaboration with Confindustria, Patronato San Vincenzo, Manpower and the M2a Network, young people who have completed at least the fourth year of secondary school can start a 12-month job placement process under Art. 43 so that they can obtain a vocational diploma through a dual apprenticeship.

4.6.3 Diversity and equal Opportunities

GRI Standards	3-3; 401-3; 405-1

The professional category most represented is that of workers (49.7% of the total), followed by employees (41.8% of the total), middle managers (5.8% of the total), and managers (2.7% of the total). Almost 85% of the personnel is male, due to the nature of the business that requires the presence of a high number of blue collar workers and therefore work duties historically characterised by a strong male presence. Women are mainly present in administrative offices.

Furthermore, in carrying out its activities, the Group strives to combat all forms of discrimination in the workplace by recognising equal opportunities for all collaborators as indicated in its Code of Ethics and by protecting and hiring the number of people belonging to protected categories each year in accordance with the regulations in force. 59% of the Group's employees belong to the age group between 30 and 50 years, 23% of employees are over 50 years of age and almost 18% of employees are under 30 years of age.

Employee diversity[1]	**2023**			**2022**			**2021**		
Employees by category/gender	Women	Men	**Total**	Women	Men	**Total**	Women	Men	**Total**
Managers	3	25	28	3	24	27	3	20	23
Middle managers	10	49	59	10	48	58	9	42	51
White collar	130	299	429	116	293[2]	409[2]	111	270	381
Blue collar workers	17	493	510	15	456[2]	471[2]	14	465	479
Total	**160**	**866**	**1,026**	**144**	**821**	**965**	**137**	**797**	**934**
Employees by category/gender %	Women	Men	**Total**	Women	Men	**Total**	Women	Men	**Total**
Managers	0.3%	2.4%	**2.7%**	0.3%	2.5%	**2.8%**	0.3%	2.1%	**2.5%**
Middle managers	1.0%	4.8%	**5.8%**	1.0%	5.0%	**6.0%**	1.0%	4.5%	**5.5%**
White collar	12.7%	29.1%	**41.8%**	12.0%	30.4%	**42.4%**	11.9%	28.9%	**40.8%**
Blue collar workers	1.7%	48.1%	**49.7%**	1.6%	47.3%	**48.8%**	1.5%	49.8%	**51.3%**
Total	**15.6%**	**84.4%**	**100.0%**	**14.9%**	**85.1%**	**100.0%**	**14.7%**	**85.3%**	**100.0%**

Employees by age group/gender	Women	Men	**Total**	Women	Men	**Total**	Women	Men	**Total**
Up to 29 years	37	146	**183**	29	131	**160**	17	131	**148**
From 30 to 50 years	91	514	**605**	80	445	**525**	86	432	**518**
Over 50 years	32	206	**238**	24	177	**201**	21	168	**189**
Total	**160**	**866**	**1,026**	**133**	**753**	**886**	**124**	**731**	**855**
Employees by age group/gender %	Women	Men	**Total**	Women	Men	**Total**	Women	Men	**Total**
Up to 29 years	3.6%	14.2%	**17.8%**	3.3%	14.8%	**18.1%**	2%	15.3%	**17.3%**
From 30 to 50 years	8.9%	50.1%	**59.0%**	9.0%	50.2%	**59.3%**	10.1%	50.5%	**60.6%**
Over 50 years	3.1%	20.1%	**23.2%**	2.7%	20.0%	**22.7%**	2.5%	19.6%	**22.1%**
Total	**15.6%**	**84.4%**	**100.0%**	**15.0%**	**85.0%**	**100.0%**	**14.5%**	**85.5%**	**100.0%**

[1] Note that the data of Tesmec USA, Inc. broken down by age group is not available for 2021 and 2022 in that, by a previous company decision, these values were not monitored or reported by the company, in order to avoid the disclosure of data subject to possible disputes.
[2] The published data for 2022 are slightly different from those reported in the 2022 NFS due to a review of personnel data collection processes.

Employee diversity[1]	**2023**				**2022**				**2021**			
Employees by category/age group	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**
Managers	-	14	14	**28**	-	16	8	24	-	15	7	22
Middle managers	-	35	24	**59**	-	32	22	54	1	26	20	47
White collar	96	267	66	**429**	80[2]	255[2]	51[2]	386[2]	61	250	48	359
Blue collar workers	87	289	134	**510**	80[2]	222[2]	120[2]	422[2]	87[2]	226[2]	114[2]	427
Total	**183**	**605**	**238**	**1,026**	**160**[2]	**525**[2]	**201**[2]	**886**	**149**[2]	**517**[2]	**189**[2]	**855**
Employees by category/age group %	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**	Up to 29 years	From 30 to 50 years	Over 50 years	**Total**
Managers	-%	1.4%	1.4%	**2.7%**	-%	1.8%[2]	0.9%[2]	**2.7%**[2]	-%	1.8%[2]	0.8%[2]	**2.6%**[2]
Middle managers	-%	3.4%	2.3%	**5.8%**	-%	3.6%[2]	2.5%[2]	**6.1%**[2]	0.1%	3.0%[2]	2.3%[2]	**5.5%**
White collar	9.4%	26.0%	6.4%	**41.8%**	9.0%[2]	28.8%[2]	5.8%[2]	**43.6%**[2]	7.1%	29.2%[2]	5.6%[2]	**42.0%**[2]
Blue collar workers	8.5%	28.2%	13.1%	**49.7%**	9.0%[2]	25.1%[2]	13.5%[2]	**47.6%**[2]	10.2%[2]	26.4%[2]	13.3%[2]	**49.9%**[2]
Total	**17.8%**	**59.0%**	**23.2%**	**100.0%**	**18.1%**[2]	**59.3%**[2]	**22.7%**[2]	**100.0%**	**17.4%**[2]	**60.5%**[2]	**22.1%**[2]	**100.0%**

[1] Note that the data of Tesmec USA, Inc. broken down by age group is not available for 2021 and 2022 in that, by a previous company decision, these values were not monitored or reported by the company, in order to avoid the disclosure of data subject to possible disputes.
[2] The published data for 2022 are slightly different from those reported in the 2022 NFS due to a review of personnel data collection processes.

Maternity and paternity leave

86% of the Group's employees (90% of female employees and 85% of male employees) are entitled to maternity/paternity leave in accordance with specific national regulations. There is an upward trend in the number of employees who have taken maternity/paternity leave over the three-year period. The 2023 figures show that almost all employees returned to work after taking leave.

Maternity/paternity leave	2023			2022			2021		
	women	men	total	women	men	total	women	men	total
No. of employees entitled to maternity/paternity leave	144	740	**884**	128	726	**854**	123	727	**850**
No. of employees who have taken maternity leave	11	27	**38**	7	13	**20**	7	20	**27**
No. of employees who returned to work after taking leave during the reporting period	10	27	**37**	7	13	**20**	6	20	**26**
No. of employees who returned to work after taking leave and were still employed by the organisation in the 12 months following their return	7	12	**19**	6	19	**25**	-	-	-
Rate of return to work	**91%**	**100%**	**97%**	**100%**	**100%**	**100%**	**86%**	**100%**	**96%**
Retention rate	**100%**	**92%**	**95%**	**100%**	**95%**	**96%**	**-**	**-**	**-**

4.6.4 Welfare and work-life balance

GRI Standards	3-3; 401-2

Tesmec places employees at the centre of its strategies for growth and development, promoting their well-being and fostering the ideal of work-life balance. For this reason, the Group has launched a number of initiatives to promote the well-being of its workers, with the aim of raising their awareness on issues including the importance of a balanced diet and physical activity, the risks related to smoking, and psychological support.

In this perspective, in continuity with the previous years, the following initiatives were promoted in 2023 in favour of all personnel of Italian companies:

- flexible working tools, such as multi-week working hours, flexible working hours on entry/exit, flexibility and special leave;
- structural introduction of smart working with a dedicated policy;
- company factotum service to handle personal errands;
- possibility of having goods purchased online delivered to company premises;
- possibility of changing tyres at the company;
- tax support service;
- activation of agreements for leisure, sports, health and household goods and services;
- granting loans and severance indemnity advances to meet personal needs and/or economic difficulties;
- scholarships to children of employees;
- company seniority bonus;
- in-house flu vaccination campaign.

Consistent with 2022, the participation of the company in the WHP (Work and Health Programme) project continued in 2023, as part of a strategy to enhance human resources and their well-being, is of particular importance. The WHP model, recommended by the WHO (World Health Organization), oversees the prevention of behavioural risk factors through organisational changes that facilitate the adoption of healthy lifestyles.

The Programme addresses factors not traditionally associated with occupational risk, the approach recommends its implementation according to the Comprehensive Workplace Health Total Worker Health.
The Programme, with the leverage of Corporate Social Responsibility, envisages the engagement of employers in the activation of processes that make the workplace a "health-friendly" environment through environmental organisational changes and the increase in workers' skills. It is a structured and participatory process aimed at implementing effective and sustainable actions (recommended good practices) on various issues, such as nutrition, smoking, COVID.

A minimum standard is required for WHP recognition, specifically:

- In the first year, adoption of a good practice in two priority areas;

- In the second year, adoption of a good practice on the other two priority areas (keeping the previous ones active);
- In the third year, adoption of a good practice on a thematic area (keeping all previous ones active).

Subsequently, all best practices in the priority thematic areas should be completed. In addition to the minimum standard, the company may also assess from the first year onwards the implementation of best practices in the thematic areas not considered a priority. The following are the thematic areas of the WHP project:
- Diet
- Physical activity
- Tobacco smoke
- Combating addictive behaviour (alcohol, drugs, gambling)
- Road safety
- Wellness (life - work balance)
- Covid area (psychological support)

Tesmec proposed the following best practices in 2023 with a special focus on Italian companies, but also followed up in foreign companies through the promotion of dedicated initiatives:

1) Diet:
   - raising awareness of balanced diet among employees;
   - introducing the "Giornata della Frutta" (Fruit Day) at the Grassobbio plant on the third Wednesday of every month.
2) Physical activity:
   - displaying promotional posters in the company and agreements concerning subscriptions to gyms, swimming pools or sports centres and/or the purchase of sports clothing/equipment;
   - organising sports initiatives, such as winter snowshoeing and summer Olympics.
3) Tobacco smoke:
   - integration of the ShapeMe service on the Timeswapp platform to provide employees with an extra opportunity to combat smoking.
4) Tesmec wellness
   - the Timeswapp platform was also used to promote a service in collaboration with the Humanitas Group in Bergamo: "Medical Care". The key words of the philosophy of this service are: personal care, quality, precision medicine, hospitality, comfort and speed in providing attentive, timely and clear services.

In 2023, Tesmec also promoted an important volunteer project with several initiatives in Italy and abroad:
- collection of used clothes on the occasion of Holy Easter to support the children of Scampia families, in collaboration with the association "Idee in Circolazione" of Naples;
- the “Teen Not Neet” project, launched in collaboration with the Patronato San Vincenzo of Bergamo, the Antonio Riva Foundation of Naples and Cometa Formazione of Como: training course in mechanics and logistics.

Regarding the benefits and corporate initiatives provided by Tesmec Group, there are no differences between full-time and part-time employees. The only exception is workers with an internship contract.

4.6.5 Training and skills development

GRI Standards	3-3; 404-1; 404-3

The Tesmec Group believes in training as a strategic lever to develop human capital and constantly invests in training initiatives for its personnel.

In addition to specific training activities aimed at facilitating the recruitment and integration of new employees and compulsory health and safety training, the training offered by Tesmec in 2023 has been further extended and consolidated to achieve the following objectives:
- enhancing and qualifying resources;
- updating and increasing specific technical skills;
- disseminating new knowledge;
- increasing awareness of actions, the ability to adapt and propose improvements;
- promote generational relay.

The following table shows the average training hours of the Tesmec Group, broken down by type of contract and gender.

Average hours of training*	2023			2022			2021		
	Women	Men	**Total**	Women	Men	**Total**	Women	Men	**Total**
Managers	1.6	3.1	2.9	2.0	14.0	12.6	1.8	2.7	2.6
Middle managers	4.3	5.1	5.0	4.4	6.2	5.9	1.1	5.8	5.0
White collar	12.0	9.9	10.6	13.8	5.4	7.8	11.4	13.4	12.8
Blue collar workers	8.4	7.6	7.6	3.0	8.9	8.7	2.3	8.5	8.3
Total	**10.9**	**8.1**	**8.6**	**11.8**	**7.6**	**8.2**	**9.6**	**9.9**	**9.8**

* It should be noted that the training hours of the Tesmec USA Inc. were only monitored in relation to the Cyber Guru course which was made available to the whole Tesmec Group. However, other training courses are also offered to employees.

Each Manager identifies the training needs (hard skills and soft skills) for their area in relation to the work requirements and the specific features of each professional figure and, with the support of the Human Resources Department, defines the most appropriate training actions.

Specifically, training requirements were defined for 2023 on the basis of the following macro-areas:

- Change management
- IT: digital/ICT
- Strategic transformation
- Language area
- Relationship and personal development
- Development of technical and technological skills related to the role/task
- Functional safety certification courses
- Leadership

As a result of the analysis carried out, a 2023 Training Plan was drawn up and approved by HR Manager and Quality Manager. For authorised courses, plans financed by Fondimpresa and/or Fondirigenti and Events proposed by Confindustria such as Leadership and Change Management have been set up, where possible.

Personnel training for all the Group's Italian companies is recorded in the HR management system at the end of the planned courses, in order to keep track of all training events organised both internally and with the support of external professionals.

The "Evolution Speeder: condivisione delle conoscenze - stato delle tecnologie di Tesmec" (Evolution Speeder: knowledge sharing - state of Tesmec technologies) project, launched in 2020 with the aim of identifying the technologies developed until now, identifying synergies in terms of skills and resources between the various product lines by encouraging knowledge sharing and the process of contamination between the Group's different Business Units, entered the "Execution" phase in November 2022. During 2023, two technical working tables were set up: the first on Electrification and the second on Data Governance.

Moreover, the process of mapping the skills of technical office resources continued, with the aim of creating a shared pool of knowledge that colleagues can draw on when needed. The documentation produced in the stream phase during the various brainstorming sessions was collected in a library on Microsoft Teams, with the aim of encouraging the advancement of cross-BU knowledge.

In 2023, Tesmec organised a mandatory training programme for all employees to provide them with the necessary tools and skills to counter the cyber threats that are increasingly prevalent today. This programme is aimed at all Group users with a corporate account via the Cyber Guru e-learning platform, a content-rich environment dedicated to Cyber Security. The training programme, with a total duration of 36 months, includes the sequential qualification of 1 module per month dedicated to a specific Cyber Security topic. Each participant will only be able to see their own performance indicators and all statistics will be extracted in full respect of privacy and data protection.

On-the-Job-Training

On-the-job-Training is an in-company training method that enables employees to acquire new skills by applying what they have learned directly on the job. This method is particularly effective because it links training to a real and operational context.
Tesmec has always regarded training as the best way to invest in its people. This is why, in 2023, it has also activated on-the-job training courses in the production area, a type of experiential learning used in particular for practical jobs requiring the use of special equipment or machinery. This type of experiential training is not recorded in the HR management system, as the relevant documentation provided by the HSO is completed by the production department managers. Dedicated training is also provided on site to operators by specialised in-house technicians.

The parent company, Tesmec S.p.A., in order to monitor the skills of its employees and to develop a dedicated professional growth process, began to formulate a periodic performance appraisal process at the end of 2023, which was initially applied only to some employees. The activity, which is currently being outlined, will gradually be extended to all Group employees.

4.6.6 Corporate social volunteering

Following on from the previous year, the Group also maintained its commitment to corporate social volunteering in 2023. Since May, Tesmec has activated a total of 17 social volunteer projects in different areas: from school catch-up, job placement and the involvement and improvement of transversal skills of young people in order to curb the NEET phenomenon ("Not in Education, Employment or Training", i.e. people, especially young people, who do not have a job, are not looking for a job and are not attending school, nor a vocational training or refresher course), to the distribution of food and meals to the needy; from the sale of solidarity products to moving and maintenance operations in communities for minors; from animation and socialisation in socio-educational centres and nursing homes, to working in the kitchen and welcoming guests in foster homes, to sharing experiences with families and NEETs living in marginalised situations such as Scampia, to witnessing their own challenges and satisfactions in the work environment, to prisoners involved in vocational integration processes.

Tesmec supported these company volunteer projects to encourage and support the participation of its workers in activities of non-profit organisations. All this with one goal: to make an impact for the company, workers and non-profit organisations. While, on the one hand, the latter can count on the involvement of more volunteers to pursue their social goals, on the other hand, employees of organisations investing in corporate volunteering have the opportunity to learn new skills, get involved and - at the same time - support Third Sector organisations. Tesmec promoted the social initiative of corporate volunteering because it is an experience that makes a difference not only for others but also for oneself in the first place.

Several researchers have measured the positive effects that volunteers receive in terms of psycho-physical wellbeing, and these include increased self-esteem, greater trust in others and increased social interaction, which, in turn, helps to reduce feelings of loneliness.

In its various projects, Tesmec has collaborated with a number of non-profit organisations, such as the Diocesana Patronato San Vincenzo and the Agathà association of Bergamo, the Caritas of Monopoli and the Fondazione Alberto e Franca Riva Onlus, the Scuola del Fare, the non-profit organisation Idee in circolazione and the L'albero delle Storie of Naples, the Arca di Leonardo of Bergamo, the Nursing Home of Sovere, the association Striscia Gialla of Oggiono, the Cooperativa Sociale Namasté and the Cronogramma UILDM of Bergamo, the Community of Sant'Egidio of Frosinone, the Cooperativa "Il Seme" of Fidenza and the Fondazione Theodora Onlus of Milan. To support the latter, like last year, Tesmec decided to set up stalls in various locations in Italy, selling various products and investing the proceeds in the adoption of "Dottor Sogni". Tesmec has chosen to support Theodora's mission because it shares its fundamental values, such as caring and listening. For Tesmec, the focus on stakeholders, customers, employees; for Theodora, caring for and listening to children in hospital, their families and hospital personnel, within a common vision of inclusion and integration.

Respect and care for others and the territory are the basis of Tesmec's sustainability policy. Through these initiatives, the Group has also integrated its Sustainability Plan with two new United Nations Sustainable Development Goals: SDG 4, on quality education (i.e. "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all"), and SDG 8, on decent work and economic growth (i.e. "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all").

In this way, once again, Tesmec confirms its objective of promoting and disseminating the principles of social responsibility, as well as its commitment to continuing the important process of sustainable growth undertaken, defining goals and targets in relation to the Sustainable Development Goals drawn up by the UN.

In order to systematise the company's approach to supporting the third sector, on 3 August 2023 the Control, Risk and Sustainability Committee of Tesmec S.p.A. approved the Charity Policy, a document that defines, by thematic areas of interest, the eligible subjects, the requirements for sustainable projects, the application procedures and the selection methods.

4.6.7 Occupational Health and Safety

GRI Standards	3-3; 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-8; 403-9; 403-10

Occupational health and safety management system

Tesmec is aware that some operations carried out as part of its activity can present risks for the environment and for people. In addition to the commitments valid for the entire Group for the protection of the environment and safety in the workplace, Tesmec S.p.A., already as from 2018, has implemented an integrated Policy for the Health and Safety of workers and for the Environment.

The Health and Safety of workers is a fundamental aspect for the Group, the importance of the adequacy of the working environment and equipment, the training of personnel and everything necessary to comply with safety requirements represents one of the main values for the Group and for the protection of its employees, considered the substantial asset of Tesmec.

The Tesmec Group, considering that Occupational Health and Safety are a fundamental right of workers and a key element for the sustainability of the Group, ensures safe and healthy working environments, in compliance with the regulations on safety and health at work in force in the various countries where it operates. This principle is also included in the Tesmec Group's Code of Ethics and in the various HSE Policies issued by its main member companies.

The activities covered are mainly the design, production, marketing, maintenance and after-sales service of:

- machines, equipment and integrated systems for stringing and maintenance of power lines and data; tension stringing equipment systems for the construction, maintenance and diagnostics of rail power supply networks; crawler and road trencher for the linear excavation with a set section; crawler trenchers for earth moving works and surface mining; multi-purpose site machines; on/off shore single-drum winches.
- rolling stock, railway vehicles and measurement and diagnostic systems.
- electronic sensors for measuring, monitoring and troubleshooting in the electrical sector; measurement, protection and control systems for managing the MV/HV electricity distribution network, electronic devices and systems in the fields of automation and telecommunications remote controls.

Hazard identification, risk assessment

For each injury, there are three stages of management in accordance with the procedure issued to all Group companies:
- a dedicated cloud-based application, Incident Reporting, is used to accurately describe the incident; the same application automatically generates a form to be shared with all stakeholders at plant and Group level;
- this is followed by a root cause analysis with the definition of initial corrective actions to be reported in a dedicated and duly shared form;
- each activity and corrective action is listed and described in the Incident Reporting and updated periodically until completed.

Foreign subsidiaries operate medical services in accordance with local regulations. Moreover, all subsidiaries ensure the quality of occupational health services and contribute to the identification and elimination of hazards and the minimisation of risks through various actions such as subjecting new workers to medical examinations before the beginning of the employment relationship, mitigating the risk of hiring personnel unsuitable for the tasks to be performed, training and sensitising the workers awareness during work and carrying out regular audits. Finally, employee health information is stored on a server to which a limited number of people in the company can have access.

All workers are regularly informed about Health, Safety and Environmental aspects and are encouraged to report dangerous conditions to their supervisors or Quality, Health, Safety and Environment Manager (QHSE Manager) via the system called Find & Fix (for now only at the Italian level but it is also being implemented in foreign production companies) or by any other means of communication. Moreover, when an injury or a damage to the environment occurs, specific internal procedures are implemented to carry out an appropriate investigation and to determine the action to be taken to prevent its recurrence.
To date, all the Italian companies and the subsidiary Marais Laying New Zealand have certified Management Systems according to ISO 45001:2018.

Moreover, in Italy, in accordance with the regulations in force, occupational hazards that constitute a risk of injury are assessed, monitored and reported in the Risk Assessment Document (RAD), which is specific to each factory and periodically updated. All Italian plants have their own occupational health specialist and meetings are organised at least annually between the occupational health specialist, the HSO, the Safety Delegates and the Workers' Representative for Safety.

With a view to continuous improvement, an operating procedure has been in place for some years now, with the support of the Group's QHSE Manager, invites Tesmec Group employees to follow through a number of distinct phases the management of any injury that may have occurred in the workplace. This procedure is aimed at obtaining a greater awareness of the causes of injuries and at disseminating, through publication in a place accessible to all, the report of the event with the relative remedy action, where provided for, in order to raise awareness of the business culture in risk prevention and reduce the probability of occurrence of the event.

Occupational health services

For Italian companies, the responsibility for ensuring a safe working environment in compliance with current regulations, and therefore, the carrying-out of activities concerning the application of laws that regulate Occupational Health and Safety, is assigned to the Employer in the first place and, to all other persons involved in the organisation of safety: Health and Safety Officer (HSO), QHSE Manager, Delegates, Managers and Heads. Moreover, since 2022, the figure of the ASPP (Prevention and Protection Service Officer) was established in all factories: specially qualified internal figures who can therefore play an important "intermediary" role between local personnel and centralised figures such as the HSO and QHSE Manager. The periodic updating of the procedures as a consequence of any new regulation or organisational change always falls on the Employer, be it the Parent Company or the subsidiaries.

Training

In Italy, training takes place on two parallel levels: on the one hand, the training required by Italian Legislative Decree no. 81 for all company figures such as forklift or crane and gantry crane operators, fire-fighting and first aid teams, supervisors, employers, safety managers, WRS, HSO, ASPP. On the other hand, at the beginning of the year, the HR department starts a survey for training requirements involving all company managers and issues the annual training plan accordingly.

The Tesmec Group is also aware of the risks relating to the "Health and Safety" area concerning the personnel on secondment and to the work at the sites in which they operate. Therefore, following the principle of continuous improvement also indicated in the Group's Code of Ethics, Tesmec prepared manuals of conduct for personnel on secondment on sites, with the aim of monitoring as much as possible the main risks related to the service activities carried out at these workplaces, in compliance with the regulations of the country of reference and of the other companies operating within the same site. As a result, specific safety training sessions were held for the Italian companies' personnel on secondment, in addition to those already provided for by law, with the aim of disseminating the contents of the "manuals of personnel on secondment" and exposing the risks of this working environment.

Employee participation and consultation; Promotion; Prevention

At least two types of monthly meetings have been planned in Italy to raise awareness and create two-way information channels:

- HSE Monthly meeting: attended by employers, delegates and all company managers including the HSO and QHSE Manager;
- TALK: held in production departments, managed by the Delegates or their supervisors and attended by all workers.

In companies abroad, these types of meetings are carried out on the basis of local regulations in force and the requirements laid down by the QHSE Manager. In the long term, certain activities that have become common practice in Tesmec companies in Italy will also be common practice in the Group's main foreign factories.

Each worker is guaranteed adequate training and information as required by local regulations in the various countries in which the Group operates. In Italy, the aforementioned TALK and HSE Monthly Meetings are often used as an opportunity for training on Work Instructions, new company practices and regulations, or new regulations, standards and laws.

As previously reported, the Group's Italian companies joined an important project in 2021, the WHP - Workplace Health Promotion programme. The programme aims to reduce the preventable and avoidable burden of morbidity, mortality and disability of chronic non-communicable diseases. It contributes to the processes of health promotion in the workplace, specifically overseeing the prevention of behavioural risk factors of chronic and degenerative diseases (unhealthy diet, sedentary lifestyle, smoking, harmful alcohol consumption), therefore, on the basis of the best evidence of effectiveness, has as its priority objective to promote the adoption in the workplace of recommended practices in order to make them favourable environments for the competent and conscious adoption of lifestyles favourable to health.

Workers covered by occupational health and safety management system

Most Tesmec Group companies, both in Italy and abroad, manage occupational health and safety issues through third-party certified systems. However, the guidelines defined by the parent company are disseminated and applied in all plants through audits, assessments and appropriately shared procedures.
In addition to what is already envisaged in the standards themselves, these procedures envisage the carrying-out of various activities such as:

- monthly company meetings between management and safety management personnel;
- monthly factory meetings between production operators and safety management personnel;
- the reporting of any dangerous situation through the Find&Fix system;
- the definition of Safety organisational charts with the explicit identification of all company safety management figures at all levels;
- the sharing between different Companies of the main injuries and their corrective and improvement actions;
- the constant updating of special HSE bulletin boards, where the most important news and information, such as organisational charts, Find&Fix, corrective actions following injuries, good practices and others, are shared with all employees;
- safety and environmental audits, both at a documentary level and directly in the production departments, to generate continuous improvement of the Systems themselves.

Thanks to these tools and approaches, all personnel working in the factories of the Tesmec Group, whether employees or not, are constantly updated, trained and involved in HSE issues.

Injuries

The main data collected on Health and Safety at work is summarised below. It is specified that the main types of injury are related to manual handling of loads and falls from height during work activities. Occupational hazards are generally identified through risk assessments and consultations with workers. In particular, if a worker identifies a dangerous situation that does not allow his or her work to continue, he or she can report it via the Find&Fix system, or verbally to the following persons: his or her supervisor, the factory ASPP, the HSO or, if he or she does not wish to expose himself or herself, the Workers' Safety Representative, who will handle the information in accordance with the rights and powers conferred on him or her by the regulations.

In total, there were 24 employee injuries in 2023, of which 14 occurred in Italy, 7 in France and 3 in the U.S.A. On the other hand, there were no injuries to non-employees.

The following rates only take into account injuries that have resulted in days lost beyond the day on which the event occurred (minor injuries, e.g. first-aid and limitation to work, are not taken into account).

For the purposes of the specific GRI Standard 403 - Occupational Health and Safety (2018), estimates were used to calculate the hours worked, where the data was not available.

Work-related injuries - employees	**Units**	**2023**	**2022**[2]	**2021**[1]
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		1	2	1
Other accidents		23	20[3]	22
of which accidents while travelling to/from work		1	-	-
Total accidents recorded		**24**	**22**	**23**
Total hours worked	h	1,848,289	1,616,510[4]	1,586,689
Injury rate				
Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)				
Work-related fatalities		-	-	-
Serious accidents		0.54	1.24	0.63
Other accidents		12.44	12.37	13.87
Total accidents recorded		12.98	13.61	14.50
Injury Severity Index (days without injuries/hours worked x 1,000)				
Average number of days lost due to injury per 1,000 days worked		0.37	0.42	0.35

[1] The data from the companies MIR SA, East Trenchers S.r.l., 4 Service USA and 4 Service S.r.l is excluded from the total of occupational health and safety data as it is not available.
[2] The data from the companies MIR SA and East Trenchers S.r.l. is excluded from the total of occupational health and safety data as it is not available.
[3] The figure for minor accidents in 2022 is restated.
[4] The number of hours worked by employees in 2022 will be restated following an improvement in data tracking and management in all Group companies.

Work-related injuries - other workers	**Units**	**2023**	**2022**	**2021**
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	7	7
Total accidents recorded		**-**	**7**	**7**
Accidents while travelling to/from work		-	-	-
Total hours worked	h	93,301	82,227*	102,193*
Injury rate				
Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)				
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	85.13	68.50
Injury Severity Index (days without injuries/hours worked x 1,000)				
Average number of days lost due to injury per 1,000 days worked		-	1.35	1.03

* The number of hours worked by non-employees in 2021 and 2022 will be restated following an improvement in data tracking and management in all Group companies.

Occupational diseases

Each Group company has an occupational disease management system in place in accordance with national requirements, which, despite some differences, are quite similar.

In Italy, hazards are defined and detailed in the RAD, which is issued for each factory, and in France in the DUERP (single document for occupational risks). RADs are also often issued for specific risks such as machine risk or manual handling of loads.

The process of filing a claim for an occupational disease is always initiated by the employee by consulting his or her doctor; the competent bodies, INAIL in Italy and Caisse Sécurité Sociale Français in France, subsequently notify Tesmec of the occupational disease; at this stage, they require to provide the documentation deemed necessary, which can range from training to qualifications up to RADs. The HR and HSE departments then work together to carry out the necessary checks and investigations and provide the relevant authorities with all the necessary information and data. Subsequently, it is always the Competent Body that either formalises the opening of the occupational disease or files it as rejected.

Occupational diseases can be related to joint or back problems caused by poor posture or repetitive movements. In 2023, for example, one occupational disease for chronic hernia was recognised at Tesmec S.p.A. and four in France, all musculoskeletal, two in the shoulder and two in the elbow. During the internal investigation phase, before the disease is confirmed, the necessary checks are carried out to implement any corrective actions or to amend the risk assessment documents.

4.7 Supply chain

8 DECENT WORK AND ECONOMIC GROWTH

Supply chain

4.7.1 Supply policies

GRI Standards	3-3; 204-1; 308-1; 414-1

The data concerning the management of suppliers and the product were collected and processed by the Senior Purchasing Manager of Tesmec S.p.A. in collaboration with the representatives of the Technical Office of Tesmec S.p.A. and the representatives of the local purchasing offices of the various companies involved in the consolidation area. The Senior Purchasing Manager is permanently present at the Purchasing Office of Tesmec S.p.A. at the premises of Grassobbio and coordinates centrally the purchases for the premises of Endine and Sirone, where there are additional resources to support the Central Office. The Senior Purchasing Manager of Tesmec S.p.A. also holds the authority within certain financial limits for the purchases of the Italian company Tesmec Rail S.r.l. with registered offices in Monopoli. The Senior Purchasing Manager of Tesmec S.p.A. coordinates with the other foreign premises of the Group on a continuous basis, with a view to organisational efficiency and, where possible, to obtain incentives deriving from the possibility of creating economies of scale.

Tesmec Group has always tried to favour local suppliers (Europe for the production plants in Italy and France and USA for Tesmec USA, where this is possible and compatible with business solutions) to reduce transport time and costs. For its procurement activities, the Group prefers local supply according to national criteria. Particularly, approximately 80% of Tesmec S.p.A. suppliers are Italian, with the remaining 20% split evenly between intra-EU and extra-EU.
Choosing local supply has also a positive impact on local communities (supporting the market) and the environment (helping to reduce pollution).
The main services/goods purchased are:

- raw materials and semi-finished products;
- services and productions in account for manufacture.

4.7.2 Selection, qualification and monitoring of the supply chain

GRI Standards	3-3; 308-1; 308-2; 414-1; 414-2

In Italy, Tesmec S.p.A., thanks to its quality management system, manages qualified suppliers in a special register (Qualified Suppliers List), which is subject to review at least once a year. The qualification of suppliers is defined on the basis of the assessment carried out according to the following parameters:

- assessment of technical capabilities and business organisation, with regard to the quality of the supplier, in particular;
- RSGQ recognition of a supplier that has achieved quality system certification according to ISO 9000 by an officially authorised body;
- assessment of the experience and reliability of the supplier in the acquired belief that the supplies have a consolidated quality over time, punctuality in delivery, availability, correct and punctual supply of the requested technical documentation.

Moreover, for the qualification of new suppliers of Tesmec S.p.A., if considered strategic for the product they supply, Tesmec carries out a qualification process before establishing a collaboration that includes, for example, inspections at the premises of the supplier, collection of any certifications held by the supplier, samples and tests on products that will be purchased by the same.

In 2022, the company finalised its policy for qualifying and evaluating new suppliers, which also includes specific environmental or social requirements in the assessment, in addition to those aspects related to safety and protection at work both during the collection of documents and during the visit to the supplier's premises (elements such as the technical and professional suitability of the examined company, the regularity of contributions and remuneration for employees, the existence of a structure dedicated to safety at work, etc.).

The "supplier qualification and assessment" process is currently applied by Tesmec S.p.A. and Tesmec Rail S.r.l. to describe the methods and responsibilities for the qualification of new suppliers and for the annual assessment of supply performance. It applies to all work orders whose products or services have a direct qualitative, environmental, health and safety impact on Tesmec's products and activities with orders with a value of more than Euro 5,000.

Once a new potential supplier has been identified, the purchasing department sends out the "QHSE Supplier Questionnaire". The Quality Department analyses the responses and determines whether the supplier can be accepted or needs further verification. In fact, depending on the critical concerns of the product offered, the supplier can be subject to audits by qualified Tesmec internal auditors to verify compliance with quality, environmental and social standards. During 2023, no major social or environmental concerns were identified during the audits carried out; any minor non-compliances were managed in accordance with the Tesmec Group Quality System.

Once qualified, the supplier receives the Supplier Code of Ethics, which must be signed and returned to the Purchasing Department for acceptance followed by the start of business relations. The supplier is periodically assessed by Tesmec on its performance in terms of on-time delivery (OTD) and product non-conformity.

In addition to achieving business results, Tesmec's primary objective is to respect the principles of ESG. This intention is promoted also throughout the supply chain by sharing the new Supplier Code of Ethics. Precisely on this point, Tesmec began to disseminate the document in 2023, which was accepted and signed by 54% of Tesmec S.p.A. suppliers and 58% of Tesmec Rail S.r.l. suppliers. In the coming years, the sharing and promotion activities will also continue with the suppliers of the other Group companies with the aim of increasing these results. This attests to Tesmec's commitment to ensuring that its supply chain complies with ethical principles and takes action by considering environmental and social issues as a priority.

In 2023, the companies of the Tesmec Group registered a total of 585 new suppliers, of which 5.5% were assessed on environmental criteria and 1.4% on social criteria. Among the 369 suppliers that have entered into business relations with Tesmec S.p.A. and Tesmec Rail S.r.l., the Quality Department identified 32 on which audits were carried out for further quality, safety, environmental and social checks. No negative or potential or actual environmental and social impacts have been identified for any of the suppliers.
Specifically, the parent company Tesmec S.p.A. registered 231 new suppliers, 10.4% of which were assessed on environmental criteria. The new supplier qualification and assessment process, which has been already in place since the beginning of 2023 and will be extended to all Group companies in the coming years, will contribute significantly to increasing the percentage of assessed suppliers.

4.8 Product quality and safety

4.8.1 Policies and management systems

GRI Standards	3-3; 416-1;

The development and production of machines focus on efficiency (including energy efficiency), safety and product quality, from the mechanical design of individual components to the analysis of materials and components and strict quality controls during and post-production. The machines are equipped with logical, electrical and electronic controls to increase efficiency and reduce consumption and to allow easy and correct use of the machines and analysis devices; moreover, all Tesmec products are designed with the aim of protecting and increasing the safety of the operator and periodically evaluations are carried out to improve health and safety during the use phase.

More specifically, in addition to the traditional advantage over traditional techniques, tension stringing has a lower environmental impact as it avoids deforestation or alteration of the underlying soil. The products and solutions of the Energy Automation Segment are intrinsically committed to environmental sustainability in that they enable the integration and management of renewable energy sources. In this segment, the Group's commitment to the environment is further demonstrated by the certification obtained on several Energy Automation product ranges according to ISO 14067 for checking the climate footprint with quantification of greenhouse gas emissions over the entire life cycle of a product and, consequently, related to compliance with Directive no. 2012/19/EU on waste electrical and electronic equipment (WEEE) and the principles of the circular economy. The current development of the range towards machines with fully digital control and products with fully electrical solutions makes Tesmec's offer environmentally friendly; moreover, compared to excavators, the trencher, for the same number of linear metres excavated, allows greater efficiency in excavation, a reduced furrow, the handling of a smaller quantity of material, the possibility of reusing the excavated material to fill in the trench (with a consequent reduction in the material to be disposed of) and, under certain conditions, the use of fewer machines. The focus on efficiency and the use of low-emission engines make this technology less impactful when compared to traditional technologies (excavators and crushers). Moreover, integration with soil geolocation and mapping systems (identifying the presence of pipes and cables with a margin for error to the nearest centimetre) makes it possible to use the machine while minimising the possible side effects of the operation, with advantages in terms of speed of execution and reduced environmental impact. Rail vehicles whose engines comply with the most recent regulations in terms of environmental impact are equipped with automatic devices for reading signals on the infrastructure, aligning their use with the most recent European standards on railway traffic safety.

Each machine and each equipment have a user and maintenance manual containing information on the use, transport, commissioning and disposal of the product. The manual describes in detail how to operate the machine safely and illustrates the main risks that can arise from incorrect use of the product.

The development of a Tesmec product - from conception to application on site - is a process that implies investments and involves the attention of different offices including, for example, the Technical Office, Production, Quality and Safety, and After-Sales Service. Product development involves not only the Group companies, but innovation also expands the horizon towards the search for partnerships with suppliers, leaders in their sector, driving research into industrial products towards the technological renewal of components, mechanisms and electronics aimed at improving the performance of finished products.

Experimental development includes implementations and field tests coordinated and managed by specialised engineers. The attention to the machine or the equipment does not end with the finished product, but continues throughout its entire life cycle, through on-site inspections, direct on-site support, continuous reporting and monitoring activities by the technical staff present both remotely and in all countries where Tesmec machines are operating.

Tesmec holds the registration of several patents and certifications.

The Quality management systems of Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l. and Tesmec USA, Inc. MARAIS Laying NZ are certified in accordance with ISO 9001:2015. All the systems are coordinated at Group level by the QHSE Manager who, at the level of the individual branch, is supported by the reference managers. Moreover, the Tesmec Code of Ethics also includes among the Group's fundamental principles the quality of products as an intrinsic value of the Tesmec trademark both in terms of its safety and compliance with the highest quality and regulatory standards.

It should be noted that Tesmec Rail has been awarded the Ecovadis Gold Medal, placing it in the top 4% of companies assessed by EcoVadis in the Construction of locomotive and rail-tramway rolling stock sector.

With regard to the supply chain, the Group bases its conduct in relations with suppliers and all partners on principles of transparency, equality, loyalty and free competition. Tesmec recognises the strategic importance of its suppliers inspiring all negotiations in full compliance with all the values set out in the Code of Ethics adopted by the Group and in the Code of Ethics for Suppliers.

In order to ensure the highest level of service to its customers, Tesmec adopted a quality management system focused on processes: this allowed the company to offer its customers maximum transparency in the carrying-out of the various phases of projects, which lead to the supply of solutions, even complex ones, within the established timeframe, while maintaining a simple and flexible organisational structure. For this reason, the Italian offices of Tesmec have long obtained the ISO 9001 certification of its Quality Management Systems, which covers the entire product life cycle, from research and development to the selling phase, from delivery and installation to after-sales service. Special attention is paid to design control, a fundamental moment for defining the quality of the final product. Tesmec has precise operating instructions, procedures and manuals to ensure quality management in line with certification requirements.

Conformity with the Machinery Directive (CE mark) is required for all products (where applicable), including those outside the EU, in order to ensure maximum coverage of the safety assessment. Therefore, the product is above the safety requirement in markets with lower safety requirements. Each machine and equipment are accompanied by a manual explaining the main risks that can be incurred due to incorrect use of the product.

In some specific countries, special actions and customisations are required to comply with local legislation and each product may be subject to security inspections.

In the event that technical problems and/or non-conformities are reported, despite the tests carried out, the Company, through its Technical, after-sales service and Quality Offices, promptly intervenes to avoid any identified non-conformities, especially those related to product safety, and takes action to resolve the problems.

The process of reporting non-conformities by customers is initiated by the After-Sales Office, which involves Quality and Technical Offices when necessary in order to define the next steps to be taken to resolve the non-conformity.

The Tesmec Group is constantly focused on:
- improvement of product performance;
- development of innovative products;
- development of innovative technologies to improve applications and product functions;
- development of products in accordance with customer specifications.

4.8.2 Customer satisfaction

One of the main missions of Tesmec is to be a partner for its customers. Being a partner goes one step further than qualifying as a mere supplier: a partner is present, attentive and proactive in listening and supporting the customer at every stage of the relationship. The solutions proposed by the Group are designed to be intrinsically functional and self-diagnostic so as to minimise downtime and maximise energy and cost efficiency for the customer. Flexibility and adaptability are the keystone of customer satisfaction service and monitoring: the driver of service digitalisation and automation, already at the centre of the business development for some time, has a highly valuable role especially during the COVID-19 pandemic that has significantly restricted the mobility of people globally.

Customer Satisfaction is the main objective of quality management systems according to ISO 9001. A special service project is created for the customer with channels always open to communication in order to make the relationship constructive and effective in a one-to-one way.

4.8.3 Health and safety impacts of products and services

GRI Standards	3-3; 416-2; 417-2

In the 2023 reporting period, as in the previous years 2022 and 2021, there were no significant cases of: a) non-compliance with standards, regulations or voluntary codes relating to the health and safety impact of products and services; b) cases of non-compliance with regulations and/or self-regulatory codes on information and labelling of products and services (e.g. Machinery Directive 2006/42/CE).

4.9 Ethics and integrity

4.9.1 Anti-corruption

GRI Standards	3-3; 205-2; 205-3; 206-1

Tesmec is actively committed to preventing and fighting corruption through a control unit that is an integral part of the Internal Control System. Legality, honesty, integrity, fairness and transparency are some of the general principles on which the Code of Ethics of the Group and the management of the business activities are based upon. At Group level, the fight against corruption is the responsibility of any person acting in the name or on behalf of Tesmec. In particular, the Group Policy on Anti-corruption states that "*the Group prohibits corruption without exception*".

The prevention and fight against corruption is achieved through the implementation and application of two main instruments (see paragraph 4.3).

Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 (including the Code of Ethics of the Group)	Group Anti-Corruption Policy

All Tesmec employees are responsible for complying with anti-corruption regulations: all relevant documents are easily accessible via the company website and intranet portal. Managers have a key role to play in this regard, as they are required to promote compliance with anti-corruption procedures among their own employees.

The first control unit to mitigate the risk of corruption both with regard to the Public Administration and among private individuals is represented by the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 to ensure the prevention of the commission of the offences envisaged by the aforementioned decree including offences of corruption.

The Group Anti-Corruption Policy, extended and made available to the entire Group and also published on the company intranet, provides a systematic framework on anti-corruption and prohibits its company personnel and anyone working in the name or on behalf of Group companies and/or in the interest of the Group, from offering, paying or accepting, directly or indirectly, money or other benefits, in order to obtain or secure an unfair advantage as part of the business activities.

In detail, the Policy prohibits:
- offering, promising, giving, paying, authorising someone to give or pay, directly or indirectly, money or other benefit to a Public Official or private individual (active corruption);
- accepting, or authorising someone to accept, directly or indirectly, money or other benefit from a Public Official or private individual (passive corruption);

when the intention is to:
- incite a Public Official or a private individual to improperly perform any public function or any activity associated with a business or to reward them for having performed it;
- influence an official measure (or omission) by a Public Official or any decision in violation of an official duty;
- obtain, secure or maintain a deal or an unfair advantage in relation to the business activities; or
- in any case, violate applicable laws.

The prohibition is not limited to cash payments only, but includes, for corruption purposes:
- gifts, expenses and hospitality to third parties;

- contributions such as donations, sponsorships, etc.;
- commercial activities, employment or investment opportunities;
- confidential information that could be used to trade in regulated securities and products;
- personal discounts or credits;
- care or support for family members;
- other advantages or benefits.

Aware that the cornerstone for the development of an effective strategy to combat corruption is the maturation of an in-depth knowledge of prevention tools, Tesmec considers particularly relevant the training initiatives *inter alia* on the Group's Code of Ethics, Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001, ISO 37001, Group Anti-Corruption Policy and Group Whistle-blowing Policy and awareness-raising activities to promote and disseminate knowledge in the areas of Compliance, Ethics and anti-corruption.

In particular, with reference to the anti-corruption management system (ISO 37001:2016), a leading international certification body audited Tesmec Automation S.r.l. in 2019 and Tesmec Rail S.r.l. in 2021. These audits revealed no instances of non-compliance and the management system was found to be effective and in compliance with the above standard. The official certificate was issued respectively for Tesmec Automation S.r.l. on 30 December 2019, then confirmed in 2020, 2021 and 2022 after specific audit activities, and for Tesmec Rail S.r.l. on 10 September 2021, then confirmed in 2022.

Moreover, Tesmec's Internal Audit function, on the basis of its annual audit programme approved by the Board of Directors of Tesmec S.p.A., independently examines and evaluates the internal control system in order to verify compliance with the provisions of the Group Anti-Corruption Policy. Due Diligence is carried out on counterparties as part of the business activities carried out with Tesmec (e.g., customers, agents, suppliers).

Any suspected or known violation of the Group Code of Ethics, anti-corruption laws or the Group Anti-Corruption Policy must be reported immediately through the channels indicated in the Group Whistleblowing Policy available on the corporate website and intranet portal. Disciplinary measures are envisaged against Tesmec employees who violate anti-corruption rules and fail to report violations of which they become aware.

Given the size and complexity of the Tesmec Group's business, corruption risks such as financial risk and compliance risk may arise. In the Italian context, all operations Euro 50,000 are evaluated for the determination of these risks. More than 250 counterparties were verified within the Group, accounting for 35% of the companies, such as, in addition to Italian companies, Tesmec Australia (Pty) Ltd, Tesmec USA Inc., Tesmec SA (Pty) Ltd. and Tesmec Russia.

All members of the Tesmec Group's governance body have been informed about anti-corruption regulations and procedures. In addition, during 2023, the Group formed the 3 new employees in the governance bodies of some foreign companies on these issues (Tesmec USA Inc., Tesmec New Tech. Ltd., Tesmec SA (Pty) Ltd.), equal to 7.1% of the total.

All employees of Italian companies are also informed of the anti-corruption system adopted by the organization and at the end of the reporting period are trained on the subject. In particular, in 2023 60 of the new employees at the various locations in Italy were involved in training courses on the anti-corruption system, equal to 5.8% of the Group's employees.

In 2023, as in the previous reporting years, no incidents of anti-corruption and bribery matters involving directors or employees of the Tesmec Group were identified. More information on legal proceedings to which the Group is a party can be found in the Notes to the Consolidated Financial Statements "Legal and Tax Disputes".

Tesmec requires its stakeholders to comply with applicable laws, including anti-corruption laws, as part of their business activities with Tesmec, as well as their commitment to comply with the reference principles contained in the Code of Ethics and the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001.

During the reporting period, there were no incidents and/or opening of proceedings or legal action against the Tesmec Group relating to violations of free competition, monopoly practices, antitrust.

4.9.2 Tax transparency

GRI Standards	3-3; 207-1; 207-2; 207-3; 207-4

Approach to tax

The current reference context places an increasing focus on the management of tax issues in order to better assess the potential risks both in terms of governance and company reputation. Also as a result of the current pandemic crisis, the interest in new standards of transparency in order to achieve greater tax fairness has become an extremely relevant issue for all stakeholders.

The Group believes that responsible tax practices support the economic and social development of the markets in which it operates and that the efficient, effective and sustainable management of tax variables not only supports the Group's business but also maximises value for stakeholders. In line with these principles, the choice of countries in which the Group operates is guided solely by business considerations and the Group does not operate in countries considered to be tax-privileged for the sole purpose of reducing the tax burden. Similarly, the Group does not engage in false transactions, for the purpose of tax avoidance or with undue tax benefits, which result in constructions that do not reflect the underlying economic reality, as this would be contrary to ethical and transparent conduct in the management of tax activities.

The Tesmec Group is subject to taxation in Italy and in the other countries in which it operates and the management of taxation is shared among the CFOs of the various countries. The latter are responsible for managing local tax compliance and, for certain tax issues of particular complexity or relevance, for involving tax advisors from leading networks, in coordination with the Finance and Legal functions of the parent company, so that tax risks are managed consistently with the Group's objectives. Although the Parent Company Tesmec S.p.A. pursues the objective of optimising its tax burden, it does not internally have tax planning tools that cover all the different tax systems in which it operates. In this regard, in consideration of the international business carried out by Group companies, transfer pricing regulations represent one of the most critical areas. This aspect is periodically monitored by the Board of Directors, which approves the policy on intra-group transfer pricing and its additions and updates.

On the other hand, in relation to the Italian companies, the Parent Company opted for the domestic tax consolidation system provided by Article 117 et seq. of the Consolidated Act on Income Tax with the subsidiaries Tesmec Rail S.r.l., Tesmec Automation S.r.l., East Trenchers S.r.l., Bertel S.r.l. and 4 Service S.r.l. Tax consolidation represents a moment of tax planning and management and coordination activities that the Parent Company exercises over its subsidiaries with the aim of producing positive effects of optimisation of "domestic" taxation both for individual companies and for the Group as a whole. Tax consolidation is regulated by specific contractual agreements between the participating companies and the Parent Company, approved by their Boards of Directors.

Tax governance, control and risk management

The Group recognises that the payment of taxes is an important contribution to the economies of the countries in which it operates, but also that taxes are an operating cost to be managed. With this in mind, and in full compliance with the rules in force, the Group takes advantage of the tax incentives available to all operators, in line with its industrial and investment objectives. The Group applies the most appropriate and correct tax treatment, taking into account both legitimate tax saving opportunities and the opinions of its experts. In particular, operating in high-tech sectors, the Group is attentive to the tax benefits that may derive from national and foreign regulations that encourage research and innovation, such as, for example, the tax credit on Research and Development and the tax credits for investment in high-tech equipment (Industry 4.0)

Group companies are required to comply with local regulations and to maintain a cooperative and transparent relationship with the relevant tax authorities. The Tesmec Group is committed to discouraging its management from making unethical choices or choices that do not comply with applicable tax laws, and disseminates, as a general principle, the adoption of an open and honest attitude towards the various tax authorities. Model 262 adopted by the Group includes a specific section on Tax Management, which is subject to internal compliance audits.

Relations with the tax authorities (stakeholders)

Tesmec Group guarantees compliance with the applicable legal provisions, the principles of transparency, honesty and fairness in relations with the tax authorities of the countries in which it operates. The management of relations with the tax authorities is reserved exclusively to the corporate functions responsible for this.

The Group does not influence improperly, even through third parties, the decisions of the tax authorities of the countries in which it operates. On the contrary, it aims to maintain open and constructive relations with all competent tax authorities and to resolve any dispute in a collaborative spirit.

Each country in which the Group operates has its own tax laws and tax assessment procedures. As a result, each company could be subject to different taxation rules and/or rates, and the Group's effective taxation can shift and change as not only the profits realised but also the applicable regulations change. The Group believes that it is diligent in its application of tax laws. However, tax legislation and its interpretation, as well as its interpretation, are particularly complex, also because of the continuous development of the regulations themselves and of their interpretation by the designated administrative and judicial bodies. This circumstance makes it impossible to exclude that the competent tax authorities or case law may in the future come to interpretations or positions other than those adopted by the Group.

At the date of this non-financial statement, the Tesmec Group is party to certain tax disputes. Following a tax audit, in December 2019, the subsidiary Groupe Marais received an assessment from the French tax authority mainly concerning the calculation of the R&D tax credit for the years 2015-2017. The same Authority also started its own audits, on the same subject, for the 2018 tax year. The subsidiary believes that it has correctly applied the tax regulations also in relation to the validations obtained at the time of the accrual of the tax credit and has appealed against this assessment, in this respect supported by the opinion of its tax advisors. However, in view of the uncertainty surrounding the outcome of a tax case, a provision has been made to mitigate the risk of losing the case.

Following a tax audit for the tax year 2018, in August 2022, the subsidiary Tesmec Automation received the report on findings (PVC) from the Italian Inland Revenue, in which the auditors contested the Company's undue use of R&D credits. The Company believes it has acted correctly and has prepared its counterclaims with the assistance of its advisors. In 2023, the Italian Inland Revenue issued a deed of collection for misuse to offset the research and development tax credit for the 2015 and 2016 tax years totalling Euro 191 thousand, plus penalties and interest. The Company, believing its actions to be correct also on the basis of the opinions received, immediately appealed against the aforementioned deed of collection. The appeal was upheld by the Court of Bergamo on 14 December 2023.

Tax reporting

With regard to information relating to Country-by-Country Reporting, the Group started to set up the reporting, which is shown below for the 2022 tax year:

Country (Amounts in Euro)	No. of employees as at 31/12/2022	Revenues from sales to third parties	Intra-group revenues	Average nominal tax rate	Income tax paid	Income tax accrued	Property, plant and equipment
Italy	575	184,613	40,023	27.9%	(397)	(4,511)	358,376
Europe							
France	138	32,701	2,830	25.0%	(307)	(264)	50,321
Russia	6	1,089	-	20.0%	(1)	7	1,632
Tunisia	1	16	11	15.0%	-	-	121
Americas							
USA	79	44,944	9,272	21.8%	-	474	62,831
Asia							
Saudi Arabia	20	2,036	-	20.0%	-	(37)	8,704
China	5	732	698	5.0%	-	-	536
Qatar	6	2,448	-	10.0%	-	366	9,569
Africa							
South Africa	24	2,322	282	27.0%	(99)	473	6,805
Ivory Coast	8	69	23	25.0%	(15)	(32)	1,166

Guinea	8	1,000	-	25.0%	(145)	(9)	3,500
Morocco	-	-	-	20.0%	-	10	225
Algeria	-	-	-	26.0%	-	-	3
Oceania							
Australia	26	12,156	186	30.0%	-	106	10,279
New Zealand	69	14,444	-	28.0%	(181)	(211)	6,489
Total	**965**	**298,568.86**	**53,323.35**			**- 3,628.32**	**520,558.01**

4.9.3. Management of data confidentiality

GRI Standards	3-3; 418-1

Information pursuant to Regulation (EU) no. 2016/679 on General Data Protection Regulation – GDPR

Starting from May 2018, Tesmec Group has applied the Regulation on the protection of personal data (Regulation (EU) no. 2016/679 on General Data Protection Regulation - GDPR).

The GDPR is intended to ensure that the processing of personal data carried out by the company complies with the principles of lawfulness, correctness, transparency, non-excessiveness and protection of confidentiality.

Tesmec has complied with the new European standards by adapting its compliance standards, namely through:
1) the update of the Information on the website www.tesmec.com which can be consulted in the Privacy section;
2) the establishment of the Treatment Activity Register;
3) the revision of the existing procedural set and the introduction of new procedures provided by the GDPR.

For this last purpose, the Tesmec procedural set consists of:
- "Use of information tools, the corporate network, e-mail and related data processing" Policy, which codifies the rules of conduct to be respected in the use of the IT tools and company devices supplied and defines suitable control methods;
- "Data Retention" procedure, which defines the guidelines on the storage of personal data, with particular reference to the duration of the processing;
- "Data Protection Impact Assessment" process instructions, which, in application of the "Privacy by Design" principle, represent the tool to be used for risk assessment in the event of new activities and/or changes to pre-existing activities that involve personal data processing;
- "Data Brench Notification" process instructions, which establish the rules for notifying the supervisory authorities in the event of violation of personal data.

With a global presence, directly and through its agents, and a complex company structure in different sectors, with more than 1000 employees, Tesmec is aware of the importance of protecting the sensitive information of its customers and workers, and has always been committed to ensuring maximum transparency in the collection, use, communication, transfer and storage of information concerning them.

With the introduction of the “General Data Protection Regulation” (GDPR), Tesmec immediately activated a process of review of internal processes to comply with the new regulations. A specialised firm was commissioned to carry out a complete mapping of personal data processing, analysing the compliance of the systems used and identifying third parties with critical privacy profiles. With regard to the categories of third parties identified, with the support of the legal department, a contractual review was started, by adjusting in particular the clauses in use, so that the third parties are made aware of the obligations in this regard and take steps to strictly comply with them. Moreover, the need to process data that may be even assumed to be relevant for the purposes of the GDPR was reduced to the minimum.

This monitoring activity and constant attention to new regulations and case laws became even more crucial in the phase following the COVID-19 health emergency, in which numerous practical and interpretative doubts had to be overcome, balancing business and public health requirements with full compliance with individual guarantees and privacy principles. In particular, reference was made to the guidelines of the trade associations at this delicate stage, which is evolving almost daily.

During the reporting period, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data.

4.10 GRI Content Index

Statement of use	The Consolidated non-financial statement of the Tesmec Group for the financial year 2023 [01 January - 31 December 2023] has been prepared with the *in accordance* reporting option.
GRI 1 adopted	GRI 1 Foundation 2021
Applicable GRI Sector Standards	Not available by sector of reference

GRI Standards - General disclosures

Disclosures		**Location**	**Omission**		
No.	Description		Requirements omitted	Reason	Explanation
GRI 2 - General disclosures 2021					
	The organisation and its reporting practices				
2-1	Organisational details	4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.1 Profile and activities of the Tesmec Group			
2-2	Entities included in the organisation's sustainability reporting	4 Sustainability report/Methodological note			
2-3	Reporting period, frequency and contact point	4 Sustainability report/Methodological note			
2-4	Restatements of information	4 Sustainability report/Methodological note			
2-5	External assurance	4 Sustainability report/Methodological note Independent auditor's report			
	Activities and workers				
2-6	Activities, value chain and other business relationships	4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.1 Profile and activities of the Tesmec Group 4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.5 Suppliers 4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.6 Innovation, Research & Development			
2-7	Employees	4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.4 Employees and other workers			
2-8	Workers who are not employees	4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.4 Employees and other workers			
	Governance				
2-9	Governance structure and composition	4 Sustainability report/4.2 Governance/4.2.1 Corporate governance and code of conduct on corporate governance			
2-10	Nomination and selection of the highest governance body	4 Sustainability report/4.2 Governance/4.2.1 Corporate governance and code of conduct on corporate governance			
2-11	Chair of the highest governance body	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability			
2-12	Role of the highest governance body in overseeing the management of impacts	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability			
2-13	Delegation of responsibility for managing impacts	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability			

2-14	Role of the highest governance body in sustainability reporting	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability
2-15	Conflicts of interest	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability
2-16	Communication of critical concerns	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability
2-17	Collective knowledge of the highest governance body	4 Sustainability report/4.2 Governance/4.2.2 Governance and sustainability
2-18	Evaluation of the performance of the highest governance body	4 Sustainability report/4.2 Governance/4.2.3 Remuneration policies and performance appraisal of the Board of Directors
2-19	Remuneration policies	4 Sustainability report/4.2 Governance/4.2.3 Remuneration policies and performance appraisal of the Board of Directors
2-20	Process to determine remuneration	4 Sustainability report/4.2 Governance/4.2.3 Remuneration policies and performance appraisal of the Board of Directors
2-21	Annual total compensation ratio	4 Sustainability report/4.2 Governance/4.2.3 Remuneration policies and performance appraisal of the Board of Directors
	Strategy, policies and practices	
2-22	Statement on sustainable development strategy	Letter to Stakeholders
2-23	Policy commitments	4 Sustainability report/4.3 Strategies - commitments - policies/4.3.1 Tesmec's commitment to sustainable development
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.2 The Sustainability Plan – Guidelines
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.3 Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.4 Group Anti-Corruption Policy
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.5 Policies and management systems
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.6 Other policies
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.7 Human rights
		4 Sustainability report/4.5 Environment/4.5.1 Environmental impacts: policies and management systems
		4 Sustainability report/4.5 Environment/4.5.6 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852
2-24	Embedding policy commitments	4 Sustainability report/4.3 Strategies - commitments - policies/4.3.1 Tesmec's commitment to sustainable development
		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.2 The Sustainability Plan – Guidelines

		4 Sustainability report/4.3 Strategies - commitments - policies/4.3.3 Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.4 Group Anti-Corruption Policy 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.5 Policies and management systems 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.6 Other policies 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.7 Human rights 4 Sustainability report/4.5 Environment/4.5.1 Environmental impacts: policies and management systems 4 Sustainability report/4.5 Environment/4.5.6 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852
2-25	Processes to remediate negative impacts	4 Sustainability report/4.3 Strategies - commitments - policies/4.3.3 Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.4 Group Anti-Corruption Policy 4 Sustainability report/4.3 Strategies - commitments - policies/4.3.5 Policies and management systems
2-26	Mechanisms for seeking advice and raising concerns	4 Sustainability report/4.3 Strategies - commitments - policies/4.3.3 Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001
2-27	Compliance with laws and regulations	4 Sustainability report/4.2 Governance/4.2.4 Regulatory compliance
2-28	Membership associations	4 Sustainability report/4.2 Governance/4.2.5 Participation in external initiatives and memberships
	Stakeholder engagement	
2-29	Approach to stakeholder engagement	4 Sustainability report/4.2 Governance/4.2.6 Relations with Stakeholders
2-30	Collective bargaining agreements	4 Sustainability report/4.1 Profile and activities of the Tesmec Group/4.1.4 Employees and other workers

GRI Standards - Disclosure Material topics/Specific indicators

The table shows the reference to the GRI Topic Standards used for reporting on material topics. For a better understanding of the content, the following is highlighted:

- The standards shown in the table are those related to the reporting of the identified material topics.
- On the other hand, evidence is given of any omissions (omissis) and the related reasons for the disclosures/indicators (requirements), included in the standards relating to material topics but not reported, in whole or in part, due to the unavailability of information and quantitative data.
- Unless otherwise specified, the GRI Standards published in 2016 and following updates were used. The GRI Standard 403 Occupational Health and Safety, published in 2018, was used for the disclosure on occupational health and safety. With regard to the waste report, the GRI 306 Waste standard was adopted and published in 2020. GRI 207 Taxes (2019) was applied in the reporting of tax topics.
- Unpublished/available (not applicable) industry standards.

Disclosures		Location	Omission		
No.	Description		Requirements omitted	Reason	Explanation
GRI 3 - Material topics 2021					
3-1	Process to determine material topics	4 Sustainability report/4.4 Material topics/4.4.1 Impacts and material topics 4 Sustainability report/4.4 Material topics/4.4.2 The process of identifying - assessing and prioritising issues			
3-2	List of material topics	4 Sustainability report/4.4 Material topics/4.4.3 TESMEC material topics 3 Sustainability report/4.4 Material topics/4.4.4 Changes since the previous reporting period			
Material topic	**Materials and use of resources**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.5 Environment/4.5.4. Raw materials and materials			
	Specific GRI standards				
301-1	Materials used by weight or volume	4 Sustainability report/4.5 Environment/4.5.4. Raw materials and materials			
Material topic	**Energy consumption and energy efficiency**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.5 Environment/4.5.2 Energy/ 4.5.5 European Taxonomy of sustainable activities			
	Specific GRI standards				
302-1	Energy consumption within the organisation	4 Sustainability report/4.5 Environment/4.5.2 Energy			
302-2	Energy consumption outside the organisation		302-2	Information not available/incomplete	Information currently not available. The Group is committed to reporting information for NFS 2024
302-3	Energy intensity	4 Sustainability report/4.5 Environment/4.5.2 Energy			
302-4	Reduction of energy consumption		302-4	Information not available/incomplete	At the reporting date, the Group doesn’t have a monitoring system for this indicator. As part of its Action Plan, the Group will assess how to collect this information
302-5	Reductions in energy requirements of products and services	4 Sustainability report/4.5 Environment/4.5.2 Energy/ 4.5.5 European Taxonomy of sustainable activities			Reporting limited to the description of the reduction in energy requirements of the products offered by the Group. The punctual reduction in Joule will be

					calculated and exposed from the next years
Material topic	**Emissions and climate change**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.5 Environment/4.5.3 Emissions into the atmosphere (GHG Greenhouse gas)			
	Specific GRI standards				
305-1	Direct (Scope 1) GHG emissions	4 Sustainability report/4.5 Environment/4.5.3 Emissions into the atmosphere (GHG Greenhouse gas)			
305-2	Energy indirect (Scope 2) GHG emissions	4 Sustainability report/4.5 Environment/4.5.3 Emissions into the atmosphere (GHG Greenhouse gas)			
305-3	Other indirect (Scope 3) GHG emissions		305-3	Information not available/incomplete	The mapping of the Group's significant Scope 3 GHG emission categories is reported in section *4.5.3*. They will be calculated from 2024 onwards
305-4	GHG emissions intensity	4 Sustainability report/4.5 Environment/4.5.3 Emissions into the atmosphere (GHG Greenhouse gas)			
305-5	Reduction of GHG emissions		305-5	Information not available/incomplete	At the reporting date, the Group doesn't have a monitoring system for this indicator. As part of its Action Plan, the Group will assess how to collect this information
Material topic	**Waste and circular economy**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.5 Environment/4.5.5 Waste			
	Specific GRI standards				
306-1	Waste generation and significant waste-related impacts	4 Sustainability report/4.5 Environment/4.5.5 Waste			
306-2	Management of significant waste-related impacts	4 Sustainability report/4.5 Environment/4.5.5 Waste			
306-3	Waste produced	4 Sustainability report/4.5 Environment/4.5.5 Waste			
306-4	Waste diverted from disposal		306-4	Information not available/incomplete	Information currently not available. As part of its Action Plan, the Group will assess how to collect this information
306-5	Waste directed to disposal		306-5	Information not available/incomplete	Information currently not available. As part of its Action Plan, the Group will assess how to collect this information
Material topic	**Employment and development of human resources**				

3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.6 Human resources/4.6.2. New employee hires and employee turnover 4 Sustainability report/4.6 Human resources/4.6.3 Diversity and equal opportunities 4 Sustainability report/4.6 Human resources/4.6.4 Welfare and work-life balance 4 Sustainability report/4.6 Human resources/4.6.5 Training and skills development			
	Specific GRI standards				
401-1	New employee hires and employee turnover	4 Sustainability report/4.6 Human resources/4.6.2. New employee hires and employee turnover			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4 Sustainability report/4.6 Human resources/4.6.4 Welfare and work-life balance			
401-3	Parental leave	4 Sustainability report/4.6 Human resources/4.6.3 Diversity and equal opportunities			
404-1	Average hours of training per year per employee	4 Sustainability report/4.6 Human resources/4.6.5 Training and skills development			
404-2	Programs for upgrading employee skills and transition assistance programs		404-2	Information not available/incomplete	Information currently not available. As part of its Action Plan, the Group will assess how to collect this information
404-3	Percentage of employees receiving regular performance and career development reviews	4 Sustainability report/4.6 Human resources/4.6.5 Training and skills development			
Material topic	**Diversity, equity and inclusion**				
3-3	Management of material topics	4 Sustainability report/4.2 Governance/4.2.1 Corporate governance and code of conduct on corporate governance 4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.6 Human resources/4.6.1 Human resource policies and management 4 Sustainability report/4.6 Human resources/4.6.3 Diversity and equal opportunities			
	Specific GRI standards				
405-1	Diversity of governance bodies and employees	4 Sustainability report/4.2 Governance/4.2.1 Corporate governance and code of conduct on corporate governance 4 Sustainability report/4.6 Human resources/4.6.3			

		Diversity and equal opportunities			
405-2	Ratio of basic salary and remuneration of women to men		405-2	Information not available/incomplete	At the reporting date, the Group is defining significative clusters allowing consistent reporting of this indicator
406-1	Incidents of discrimination and corrective actions taken	4 Sustainability report/4.6 Human resources/4.6.1 Human resource policies and management			
Material topic	**Occupational Health and Safety**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
	Specific GRI standards				
403-1	Occupational health and safety management system	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-2	Hazard identification, risk assessment, and incident investigation	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-3	Occupational health services	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-4	Worker participation, consultation, and communication on occupational health and safety	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-5	Worker training on occupational health and safety	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-6	Promotion of worker health	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-8	Workers covered by an occupational health and safety management system	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-9	Work-related injuries	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
403-10	Work-related ill health	4 Sustainability report/4.6 Human resources/4.6.7 Occupational Health and Safety			
Material topic	**Product quality and compliance, health and safety of the end customer**				
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.8 Product quality and safety/4.8.1 Management policies and systems 4 Sustainability report/4.8 Product quality and safety/4.8.3 Health and safety impacts of products and services			

	Specific GRI standards	
416-1	Assessment of the health and safety impacts of product and service categories	4 Sustainability report/4.8 Product quality and safety/4.8.1 Management policies and systems
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4 Sustainability report/4.8 Product quality and safety/4.8.3 Health and safety impacts of products and services
417-2	Incidents of non-compliance concerning product and service information and labelling	4 Sustainability report/4.8 Product quality and safety/4.8.3 Health and safety impacts of products and services
Material topic	**Supply chain**	
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.7 Supply chain /4.7.1 Supply policies 4 Sustainability report/4.7 Supply chain /4.7.2 Selection, qualification and monitoring of the supply chain
	Specific GRI standards	
204-1	Proportion of spending on local suppliers	4 Sustainability report/4.7 Supply chain /4.7.1 Supply policies
308-1	New suppliers that were screened using environmental criteria	4 Sustainability report/4.7 Supply chain /4.7.2 Selection, qualification, and monitoring of the supply chain
308-2	Negative environmental impacts in the supply chain and actions taken	4 Sustainability report/4.7 Supply chain /4.7.2 Selection, qualification and monitoring of the supply chain
414-1	New suppliers that were screened using social criteria	4 Sustainability report/4.7 Supply chain /4.7.2 Selection, qualification, and monitoring of the supply chain
414-2	Negative social impacts in the supply chain and actions taken	4 Sustainability report/4.7 Supply chain /4.7.2 Selection, qualification and monitoring of the supply chain
Material topic	**Privacy and data protection**	
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.9 Ethics and integrity/4.9.3 Management of data confidentiality
	Specific GRI standards	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4 Sustainability report/4.9 Ethics and integrity/4.9.3 Management of data confidentiality
Material topic	**Value generation and distribution**	
3-3	Management of material topics	3 Group economic and financial results and performance/3.9 Value generated and distributed 3 Group economic and financial results and performance/3.10

		Grants and contributions from the Public Administration 4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management
	Specific GRI standards	
201-1	Direct economic value generated and distributed	3 Group economic and financial results and performance/3.9 Value generated and distributed
201-3	Defined benefit plan obligations and other retirement plans	See the report on the severance indemnity fund in the Explanatory Notes chapter 24
201-4	Financial assistance received from government	3 Group economic and financial results and performance/3.10 Grants and contributions from the Public Administration
Material topic	**Business integrity and ethical conduct**	
3-3	Management of material topics	4 Sustainability report/4.4 Material topics/4.4.5 Material topics and objectives 4 Sustainability report/4.4 Material topics/4.4.6 Risk management 4 Sustainability report/4.9 Ethics and integrity/4.9.1 Anti-corruption 4 Sustainability report/4.9 Ethics and integrity/4.9.2 Tax transparency
	Specific GRI standards	
205-2	Communication and training about anti-corruption policies and procedures	4 Sustainability report/4.9 Ethics and integrity/4.9.1 Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	4 Sustainability report/4.9 Ethics and integrity/4.9.1 Anti-corruption
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	4 Sustainability report/4.9 Ethics and integrity/4.9.1 Anti-corruption
207-1	Approach to tax	4 Sustainability report/4.9 Ethics and integrity/4.9.2 Tax transparency
207-2	Tax governance, control and risk management	4 Sustainability report/4.9 Ethics and integrity/4.9.2 Tax transparency
207-3	Stakeholder engagement and management of concerns related to tax	4 Sustainability report/4.9 Ethics and integrity/4.9.2 Tax transparency
207-4	Country-by-country reporting	4 Sustainability report/4.9 Ethics and integrity/4.9.2 Tax transparency

5 Other information

5.1 Management and co-ordination activities

Tesmec S.p.A. is controlled pursuant to Article 93 of the Consolidated Law on Finance (TUF) by TTC S.r.l., holding company.
TTC S.r.l. does not carry out the management and coordination activity on the Company pursuant to Article 2497-*sexies*, Italian Civil Code. TTC S.r.l. is a holding that performs the mere management function of equity investments without carrying out management and coordination activities towards the subsidiaries.

5.2 Management and co-ordination activities by Tesmec S.p.A.

Tesmec S.p.A. carries out management and coordination activities, pursuant to Articles 2497 et seq. of the Italian Civil Code, towards East Trenchers S.r.l., Tesmec Automation S.r.l., Bertel S.r.l., Tesmec Rail S.r.l. and 4 Service S.r.l.; this management and coordination activity consists in the preparation of Group directives, procedures and guidelines.

5.3 Places where the Company operates

The places in which Tesmec S.p.A. carries on its activity are listed below:

- Milan (MI): Piazza Sant'Ambrogio 16 (Registered office);
- Grassobio (BG): Via Zanica 17/O (administrative offices and factory);
- Sirone (LC): Via Don Brambilla 26/28 (factory).

Please note that, starting from December 2023, Tesmec S.p.A. began the transfer activities, in continuity of production, of the production of the stringing sector from the Endine Gaiano plant, whose rental contract had come to an end, to the Grassobbio production site.

5.4 Treasury shares and shares of parent companies

On 20 April 2023, the Shareholders' Meeting authorised the treasury share buy-back plan for a period of 18 months; the authorisation of 20 April 2023 replaces the revocation granted by the Ordinary Shareholders' Meeting of 21 April 2022. In the plan, a threshold of 10% of the share capital was set as the maximum quantity.
As at the date of this report, 31 December 2023, a total of 4,711,879 shares (0.777% of Share Capital) had been purchased at an average price of Euro 0.5543 (net of commissions) for a total value of Euro 2,612 thousand. In the year no purchases of treasury shares were made.

5.5 Equity investments held by Directors and Statutory Auditors

Pursuant to CONSOB Regulation no. 11971/99, equity investments held by Directors and Statutory Auditors in Tesmec and in its subsidiaries are recorded, according to diagram 3) provided in enclosure 3C) of the regulation above:
Shares held by Directors and Statutory Auditors

5.6 Directors and Statutory Auditors

Name	Shareholding	Office	Number of shares held at the beginning of the 2023 financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the 2023 financial year
Ambrogio Caccia Dominioni	Direct	Chairman and Chief Executive Officer	915,600	-	-	915,600
Gianluca Bolelli	Direct	Vice Chairman	593,600	-	-	593,600
Caterina Caccia Dominioni	Direct	Director	55,700	-	-	55,700
Lucia Caccia Dominioni	Direct	Director	55,700	-	-	55,700
Guido Luigi Traversa	Direct	Director	100,000	-	-	100,000

5.7 Information on Significant Companies outside the EU

Tesmec S.p.A., parent company, controls two companies (Tesmec USA, Inc. and Tesmec Australia (Pty) Ltd.) which are considered subsidiaries of significant importance established and regulated by the law of countries outside the EU in accordance with the provisions of the Market Regulations adopted by CONSOB with resolution no. 20249 of 28 December 2017, as amended and supplemented.

With reference to these companies, it should be noted that:

- they draw up an accounting statement for the purposes of preparing the consolidated financial statements; the balance sheet and the income statement of the said companies are made available within the terms and methods provided for by the regulations on the matter;
- Tesmec S.p.A. has acquired the articles of association as well as the composition and powers of the corporate bodies;
- they: i) provide the accounting auditor of the Parent Company with the information required for carrying out the auditing of annual and interim accounts of the Parent Company; ii) they have an administrative and accounting system fit for submitting on a regular basis the economic and financial data required for preparing the consolidated financial statements to the management, supervisory body and the auditor of the Parent Company.

The Control, Risk, Sustainability and Related Party Transactions Committee of Tesmec S.p.A., in order to fulfil its regulatory obligations, checked the adequacy of the administrative and accounting system for submitting on a regular basis the economic and financial data required for preparing the consolidated financial statements to the management and to the auditor of Tesmec S.p.A., and the effectiveness of the information flow through meetings both with the auditor and with the Manager responsible for preparing the Company's financial statements.

5.8 Related party transactions

- The Tesmec Group has related party transactions especially with respect to entities controlled by persons who mainly perform management functions with regard to real-estate transactions (rental of premises serving as means to production) in Tesmec S.p.A., and also for commercial activities. Commercial relations were exercised with regard to JV Condux Tesmec with which transactions are regulated by special supply contracts at market conditions and agreed with the partner.
- During the 2023 financial year, no significant related-party transaction was carried out. For the additional information required by Consob communication no. 6064293 of 28 July 2006 on related party transactions, please refer to the paragraph "Related party transactions" in the Explanatory Notes.

6. Significant events occurred after the reporting year

No significant events occurred after the end of the financial year.

It should be remembered that the transfer activities of the production of the stringing sector, from the Endine Gaiano plant whose rental contract had come to an end, to the Grassobbio production site continued in the first months of 2024, with production continuity.

During the first months of 2024, the subsidiary Tesmec Rail S.r.l. has opened a new operational headquarters in Bozzolo (MN), where it has started to carry out some of the contractually required maintenance activities on the railway vehicles of its own production. The site in question, previously identified and already equipped, guarantees more efficient management of the fleet of vehicles undergoing maintenance, reducing the times and costs of transporting the vehicles to be maintained which, being located on the entire national railway network, will be directed to the site Bozzolo or to the Monopoli site according to logistical efficiency criteria.

6.1 Business outlook

In 2023, Tesmec diversified its activities geographically and by segment, continuing to invest in strategic e-business markets that are extremely dynamic and have growth prospects, providing solutions for the digitalisation and implementation of telecommunications networks and the development of the mining segment. In the Trencher segment, government measures are driving investment in infrastructure, including power networks and Fibre to the

Home projects. In the Rail segment, investments to reduce congestion of road vehicles, increase sustainable mobility and for diagnostics and maintenance of lines with the aim of ensuring the safety of rail transport, will increasingly be an important driver of future growth. In the Energy segment, the increasing transition to the use of renewable energy sources is confirmed, with the consequent power lines being adapted to the new requirements.

With reference to 2024, the Tesmec Group expects revenues to grow by more than 10% compared to 2023, with an improving EBITDA margin and a decreasing Net Financial Position compared to 31 December 2023. This expectation is based on overcoming the contingencies that particularly affected the last quarter of 2023, accompanied by management actions aimed at a significant recovery in profitability and, in particular, a reduction in working capital.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated statement of financial position

(Euro in thousands)	Notes	31 December 2023	2022
NON-CURRENT ASSETS			
Intangible assets	7	39,348	32,293
Property, plant and equipment	8	45,081	51,759
Rights of use	9	28,868	21,939
Equity investments in associates evaluated using the equity method	10	6,285	5,639
Other equity investments		40	28
Financial receivables and other non-current financial assets	11	11,658	10,549
Derivative financial instruments	23	335	753
Deferred tax assets	31	21,939	16,349
Non-current trade receivables		2,575	1,754
Other non-current assets		717	1,204
TOTAL NON-CURRENT ASSETS		**156,846**	**142,267**
CURRENT ASSETS			
Work in progress contracts	12	29,247	24,973
Inventories	13	110,621	101,411
Trade receivables	14	45,643	56,229
of which with related parties:		*2,926*	*2,027*
Tax receivables	15	3,179	2,412
Financial receivables and other current financial assets	16	27,888	17,163
of which with related parties:		*2,605*	*2,596*
Other current assets	17	13,003	12,252
Cash and cash equivalents	18	53,680	50,987
TOTAL CURRENT ASSETS		**283,261**	**265,427**
TOTAL ASSETS		**440,107**	**407,694**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	19	15,702	15,702
Reserves	19	62,968	57,290
Group net profit/(loss)	19	(2,969)	7,862
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**75,701**	**80,854**
Non-controlling interest in capital and reserves		2,272	2,469
Net profit/(loss) for the year attributable to non-controlling interests		271	54
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**2,543**	**2,523**
TOTAL SHAREHOLDERS' EQUITY		**78,244**	**83,377**
NON-CURRENT LIABILITIES			
Medium/long-term loans	20	92,007	91,130
of which with related parties:		*1,899*	-
Non-current bond issue	21	-	1,246
Non-current financial liabilities from rights of use	22	29,849	16,772
Employee benefit liability	24	4,110	3,958
Deferred tax liabilities	31	7,830	7,199
TOTAL NON-CURRENT LIABILITIES		**133,796**	**120,305**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	25	102,565	76,369
of which with related parties:		*1,081*	*4,144*
Current bond issue	26	1,246	3,717
Current financial liabilities from rights of use	22	9,398	7,280
Trade payables	27	82,842	74,178
of which with related parties:		*1,240*	*1,177*
Advances from customers		2,611	12,574
Income taxes payable	28	3,051	4,421

Provisions for risks and charges	29	2,837	3,759
Other current liabilities	30	23,517	21,714
TOTAL CURRENT LIABILITIES		**228,067**	**204,012**
TOTAL LIABILITIES		**361,863**	**324,317**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**440,107**	**407,694**

Consolidated income statement

(Euro in thousands)	Notes	Financial year ended 31 December 2023	 2022 reclassified
Revenues from sales and services	32	**251,917**	**245,245**
of which with related parties:		*10,720*	*14,742*
Cost of raw materials and consumables	33	(108,771)	(97,441)
of which with related parties:		*(94)*	*(8)*
Costs for services	34	(52,211)	(52,839)
of which with related parties:		*(92)*	*(120)*
Payroll costs	35	(63,330)	(60,701)
Other operating costs/revenues, net	36	(8,022)	(8,101)
of which with related parties:		*96*	*248*
Amortisation and depreciation	37	(22,953)	(22,085)
Development costs capitalised	38	13,491	10,806
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		941	(821)
Total operating costs		**(240,855)**	**(231,182)**
Operating income		**11,062**	**14,063**
Financial expenses	39	(20,895)	(17,410)
of which with related parties:		*(389)*	*(474)*
Financial income	40	5,248	14,915
of which with related parties:		*63*	*136*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		(8)	44
Pre-tax profit/(loss)		**(4,593)**	**11,612**
Income tax	31	1,895	(3,696)
Net profit/(loss) for the year		**(2,698)**	**7,916**
Profit/(loss) attributable to non-controlling interests		**271**	**54**
Group profit/(loss)		**(2,969)**	**7,862**
Basic and diluted earnings/(losses) per share		**(0.005)**	**0.013**

Consolidated statement of comprehensive income

(Euro in thousands)	Notes	Financial year ended 31 December 2023	2022
NET INCOME FOR THE YEAR		**(2,698)**	**7,916**
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	19	(1,182)	(229)
Other changes		(653)	-
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	24	(197)	545
Income tax		47	(130)
		(150)	415
Total other income/(losses) after tax		**(1,985)**	**186**
Total comprehensive income/(loss) after tax		**(4,683)**	**8,102**
Attributable to:			
Shareholders of Parent Company		(4,860)	8,264
Non-controlling interests		177	(162)

Statement of consolidated cash flows

(Euro in thousands)	Notes	Financial year ended 31 December 2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year		(2,698)	7,916
Adjustments to reconcile net income for the year with the cash flows generated by operating activities:			
Amortisation and depreciation	37	22,953	22,085
Provisions for employee benefit liability	24	1,741	388
Provisions for risks and charges/inventory obsolescence/doubtful accounts	13-14-29	6,725	3,203
Employee benefit payments	24	(1,784)	(449)
Payments/use of provisions for risks and charges	29	(1,230)	(168)
Net change in deferred tax assets and liabilities	31	(5,206)	(109)
Change in fair value of financial instruments	23	418	(842)
Change in current assets and liabilities:			
Trade receivables	14	(6,707)	6,079
of which with related parties:		*(899)*	*1,483*
Inventories	13	(16,120)	(28,747)
Trade payables	27	12,020	18,053
of which with related parties:		*(77)*	*(133)*
Other current assets and liabilities		(616)	(2,458)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**9,496**	**24,951**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	8	(12,240)	(12,280)
Investments in intangible assets	7	(15,358)	(13,467)
Investments in rights of use	9	(12,362)	(7,404)
(Investments)/disposals of financial assets		(13,097)	(3,409)
of which with related parties:		*(9)*	*6,674*
Change in the consolidation area		-	(6,954)
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	7-8-9	8,751	8,163
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(44,306)**	**(35,351)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	20	36,165	25,549
of which with related parties:		*1,899*	*(3,263)*
Recognition of financial liabilities from rights of use	22	29,674	8,645
Repayment of medium/long-term loans	20-21	(38,533)	(19,378)
Repayment of financial liabilities from rights of use	22	(14,420)	(8,638)
Net change in short-term financial debt	22-25-26	26,195	1,833
of which with related parties:		(3,063)	*1,524*
Other changes	19	(1,103)	-
Change in the consolidation area	19	-	2,633
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		**37,978**	**10,644**
TOTAL CASH FLOW FOR THE YEAR (D=A+B+C)		**3,168**	**244**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(475)	554
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	18	50,987	50,189
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G=D+E+F)		**53,680**	**50,987**
Additional information:			
Interest paid		14,233	7,414
Income tax paid		2,854	1,145

Statement of changes in consolidated shareholders' equity

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit/ (loss) for the period	Total shareholders' equity attributable to Parent Company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 2022	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,886**	**12,769**	**1,195**	**72,567**	**75**	**72,642**
Profit/(loss) for the year	-	-	-	-	-	-	7,862	7,862	54	7,916
Other profits/(loss)	-	-	-	-	(13)	415	-	402	(216)	186
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**8,264**	**(162)**	**8,102**
Allocation of profit for the period	-	-	-	-	-	1,195	(1,195)	-	-	**-**
Other changes	-	-	-	-	-	23	-	23	2,610	2,633
Balance as at 31 December 2022	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,873**	**14,402**	**7,862**	**80,854**	**2,523**	**83,377**
Profit/(loss) for the year	-	-	-	-	-	-	(2,969)	(2,969)	271	(2,698)
Other profits/(loss)	-	-	-	-	(1,741)	(150)	-	(1,891)	(94)	(1,985)
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**(4,860)**	**177**	**(4,683)**
Allocation of profit for the period	-	207	-	-	-	7,655	(7,862)	-	-	**-**
Other changes	-	-	-	-	-	(293)	-	(293)	(157)	(450)
Balance as at 31 December 2023	**15,702**	**2,348**	**39,215**	**(2,341)**	**2,132**	**21,614**	**(2,969)**	**75,701**	**2,543**	**78,244**

Explanatory notes

Accounting and reporting standards adopted in preparing the consolidated financial statements as at 31 December 2023

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.

The publication of Tesmec's consolidated financial statements for the year ended as at 31 December 2023 was authorised by means of the resolution of the Directors on 8 March 2024.

2 Reporting standards

The consolidated financial statements of the Tesmec Group as at 31 December 2023 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and the related explanatory notes. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union according to the text published on the Official Journal of the European Communities (OJEC) and in force as at 31 December 2020 and on the basis of the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. These IFRS principles also include all revised international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

The reference accounting standards adopted in the current yearly consolidated financial statements are consistent with those used for preparing the yearly consolidated financial statements of the Group for the year ended 31 December 2022, also prepared according to the international accounting standards, with the exception of the standards and interpretations of new application, explained in note 3.4.
The financial statements and relevant explanatory notes are presented in Euro and all values are express in Euro thousand, unless otherwise indicated.

Business continuity

These financial statements were prepared on a going concern basis, as the Directors checked the ability of the Company and the Group to meet their obligations in the foreseeable future of at least 12 months by developing for this purpose alternative forecast scenarios reflecting the impact of potential business slowdowns compared to those envisaged in the Budget examined by the Board of Directors on 8 March 2024. In the light of the Budget forecasts and the related sensitivity analyses, the Board of Directors made a positive assessment of the existence of the company's ability to continue as a going concern on the basis of which the annual report was prepared and approved, as there are no significant uncertainties about the company's ability to continue as a going concern. Trends differing from the company's Budget forecasts and related sensitivity analyses, with special reference to slowdowns in the realisation of the order backlog and consequently in the recognition of revenues, increases in procurement costs exceeding the scenarios incorporated in the mentioned forecasts, could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with financial covenants.

The main risks and uncertainties to which Tesmec Group is exposed are described in the specific paragraph of the Report on Operations. A description of how the Company and the Group manage financial risks is provided in the section Management of financial risks of these Explanatory Notes.

With reference to climate change, it is noted that this aspect constitutes a topic of particular attention for every industrial sector, including the one in which Tesmec operates, whose greenhouse gas emissions are mainly linked to the organisation's direct consumption, mainly deriving from the factories productive. The Group's commitments on the topic are formalized through the preparation of internal policies, the adoption of management systems, the use of energy from renewable sources and attention to the production of products with a lower environmental impact.

It is also noted that Tesmec has identified the guidelines to be included in a medium-long term sustainability plan, which identify the Group's main commitments on the environmental front and, specifically, in relation to climate change. In fact, the trends linked to the energy transition - decarbonisation, electrification and digitalisation - are elements that are guiding the formulation of corporate strategies and their future implementation. For this reason, it is believed that the impacts on the consolidated financial statements of climate risks, the effects of which could manifest themselves on financial statement items whose measurement depends on the production of future cash flows and therefore susceptible to impairment, are not to be considered significant.

2.1 Adopted financial statement reporting formats

In compliance with the provisions of CONSOB Resolution no. 15519 of 27 July 2006, information on the adopted financial statement reporting format compared to what is stated in IAS 1 are indicated below for the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity as well as the method used for representing the financial flows in the consolidated statement of cash flows compared to those specified in IAS 7:

- in the consolidated income statement, it was decided to present a cost analysis by using a classification based on their nature;
- the statement of comprehensive income includes the result for the year and, by homogeneous categories, the income and expenses that, under IFRS, are recognised directly in shareholders' equity;
- in the consolidated statement of financial position, it was decided to represent current and non-current assets and current and non-current liabilities classified separately, in accordance with IAS 1;
- the consolidated statement of changes in shareholders' equity occurred during the period is represented through a table that reconciles the opening and closing balances of each item of the Group shareholders' equity;
- the consolidated statement of cash flows represents the financial flows by dividing them into operating, investing and financing activities. In particular, financial flows from operating activities are represented, in accordance with IAS 7, using the indirect method, whereby net profit or loss for the year is adjusted by the effects of non-monetary transactions, by any deferral or provision of prior or future operating receipts or payments, and by revenue or cost elements connected with financial flows from investing or financing activities.

It should be noted that, in accordance with the above-mentioned resolution, the amounts of the positions or transactions with related parties and (positive and/or negative) income components resulting from non-recurring events or operations, i.e. from operations or facts that do not recur with frequency in the usual course of business, were reported under specific sub-items, in case of significant amounts, in the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows.

2.2 Consolidation methods and area

The consolidated financial statements are prepared on the basis of the draft financial statements (or reporting packages) for which the respective Boards of Directors are responsible. The financial statements of subsidiaries are adjusted, where necessary, to the same accounting policies of the Parent Company. Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquires the control, and they are no longer consolidated on the date on which the control is transferred outside the Group.
All balances and intra-group transactions, including any unrealised gains and losses arising from relations between companies of the Tesmec Group are completely written off.
Acquisitions of subsidiaries are recorded in accordance with the purchase method that involves the allocation of costs of the business combination at fair values of assets, liabilities and contingent liabilities acquired at the date of acquisition and the entry of the results of the acquired Company from the date of acquisition until the close of the financial year.
Non-controlling interests represent the portion of the profit or loss and equity related to net assets not held by the Group and are shown in a separate item of the consolidated income statement, of the consolidated statement of comprehensive income and of the consolidated statement of financial position, separately from profit and equity attributable to the Group.
Associated companies are those in which the Group holds at least 20% of the voting rights or exercises a significant influence, but not control or joint control, on financial and operating policies. Equity investments in associates are

evaluated using the equity method. Profit or loss attributable to the Group is recognised in the consolidated financial statements from the date on which the significant influence began and until the date on which it ceases.
Joint ventures are defined on the basis of IFRS 11 that defines the financial reporting standards for entities that are parties to agreements relating to jointly controlled activities (i.e., joint arrangements). The equity investments acquired or sold during the financial year are consolidated using the equity method for the period in which the joint control was exercised.

As at 31 December 2023, the consolidation area changed with respect to that as at 31 December 2022:

- in December 2023, the parent company Tesmec S.p.A. bought back the 33.96% stake in Marais Technologies SAS held by Simest S.p.A. Following this buyback, the equity investment is wholly owned by Tesmec S.p.A.

SUBSIDIARIES

(consolidated on a line-by-line basis, by making clear the portion of equity and of non-controlling interests)

Name	Registered office	Currency	Share capital Currency unit	Percentage held	
				Directly	Indirectly
TESMEC USA, Inc.	Alvarado (Texas)	US Dollar	31,200,000	100.00%	-
TESMEC SA (Pty) Ltd.	Johannesburg (South Africa)	South African Rand	93,901,000	100.00%	-
Tesmec Automation S.r.l.	Grassobbio - BG – (Italy)	Euro	10,000	100.00%	-
Bertel S.r.l.	Milan (Italy)	Euro	500,000	100.00%	-
Tesmec Peninsula WLL	Doha (Qatar)	Qatar Riyal	7,300,000	99.00%	-
East Trenchers S.r.l.	Milan (Italy)	Euro	100,000	100.00%	-
OOO TESMEC RUS	Moscow (Russia)	Russian Rouble	450,000	100.00%	-
Tesmec New Technology Beijing Ltd.	Beijing (China)	Euro	400,000	100.00%	-
Tesmec Rail S.r.l.	Monopoli - BA - (Italy)	Euro	10,000	100.00%	-
4 Service S.r.l.	Milan (Italy)	Euro	1,000,000	100.00%	-
4 Service USA, Inc.	Alvarado (Texas)	US Dollar	500	100.00%	-
Tesmec Saudi Arabia LLC	Riyad (Saudi Arabia)	Saudi Riyal	30,800,000	-	65.00%
Marais Technologies SA	Durtal (France)	Euro	3,785,760	100.00%	-
Group Marais SA	Durtal (France)	Euro	3,700,000	-	100.00%
Marais Trenching (Pty) Ltd. AFS	Pretoria (South Africa)	South African Rand	500,000	-	80.00%
Tesmec Australia (Pty) Ltd	Sydney (Australia)	Australian Dollar	6,000,100	100.00%	-
Marais Laying New Zealand (Pty) Ltd.	Auckland (New Zealand)	New Zealand Dollar	100	-	100.00%
Marais Cote d'Ivoire	Abidjan (Côte d'Ivoire)	CFA Franc	6,500,000	-	100.00%
Tesmec Guinee SARLU	Conakry (Guinea)	GNF Franc	100,000,000	-	100.00%
MIR SA	Tunis (Tunisia)	Tunisian Dinar	300,000	-	100.00%
Tesmec Maroc	Casablanca (Morocco)	Moroccan dinar	90,000	-	100.00%
Tesmec Energy	Algiers (Algeria)	Algerian Dinar	1,520,000	-	100.00%

ASSOCIATED COMPANIES

(consolidated with the equity method)

Name	Registered office	Currency	Share capital Currency unit	Percentage held	
				Directly	Indirectly
Locavert SA	Bouillargues (France)	Euro	403,735	38.63%	-
Marais Lucas Tech. (Pty) Ltd.	New South Wales (Australia)	Australian Dollar	332,400	50.00%	-

JOINT VENTURES (consolidated with the equity method)					
				Percentage held	
Name	Registered office	Currency	Share capital Currency unit	Directly	Indirectly
Condux Tesmec Inc	Mankato (Minnesota)	US Dollar	2,500,000	50.00%	-

The companies Marais Lucas Technologie (Pty) Ltd. and Locavert close their financial period as at 30 June of each year. Financial statements used for evaluating the equity investment in accordance with the equity method refer to the most recent available interim closing of accounts, at a date close to the end of the reporting year of the Group.

The financial statements were modified, if necessary, in order to make them consistent with the accounting policies of the Group, which are in accordance with the IFRS adopted by the European Union.

Translation of foreign currency financial statements and of foreign currency items

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the Parent Company. Each company of the Group defines its functional currency, which is used to evaluate the items included in each financial statement. Foreign currency transactions are initially recognised using the exchange rate (referring to the functional currency) which is applicable on the transaction date. Monetary assets and liabilities in foreign currency are reconverted in the functional currency at the exchange rate in force at the end of the reporting year.

All exchange rate differences are recognised in the income statement, except for those generated by monetary items that are considered part of the net investment in a foreign consolidated company and are expressed in the functional currency of the foreign consolidated company, other than the Euro. In the consolidated financial statements, these exchange rate differences are recognised under the items of the statement of the other components of comprehensive income (OCI). This case includes monetary items due or payable to a foreign consolidated entity where settlement is neither expected nor likely to occur in the near future.

Non-monetary items, measured at their historical cost in foreign currency, are translated by using the exchange rates in force on the date of initial recognition of the transaction.

The conversion into Euro of the financial statements of the foreign companies being consolidated is carried out according to the current exchange-rate method, which contemplates using the exchange rate in force at the end of the reporting year for the translation of the financial items and the average exchange rate of the year for the income statement items.

Exchange-rate differences deriving from translation are directly posted to equity and separately recorded in a special fair-value reserve. On disposal of a foreign company, accumulated exchange-rate differences posted to equity with regard to that particular foreign company are recognised in the income statement.

The exchange rates used to determine the value in Euros of the financial statements of subsidiary companies expressed in foreign currency (exchange rate to Euro 1) are shown below:

	Average exchange rate for the year ended 31 December		End-of-period exchange rate as at 31 December	
	2023	2022	2023	2022
US Dollar	1.0813	1.0530	1.1050	1.0666
Russian Rouble	92.8741	72.1509	99.1919	75.6553
Qatari Riyal	3.9358	3.8543	4.0222	3.8824
South African Rand	19.9551	17.2086	20.3477	18.0986
Renminbi	7.6600	7.0788	7.8509	7.3582
Australian Dollar	1.6288	1.5167	1.6263	1.5693
Algerian Dinar	146.9354	149.6452	148.2657	146.5049
New Zealand Dollar	1.7622	1.6582	1.7504	1.6798
Tunisian Dinar	3.3556	3.2509	3.3936	3.3221
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	9,202.7761	9,159.5115	9,405.8305	9,127.3344

Saudi Riyal	4.0548	3.7987	4.1438	3.9998
Moroccan dirham	10.956	10.678	10.928	11.158

3 Accounting standards

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and in accordance with Article 9 of Italian Legislative Decree no. 38/2005.
The consolidated financial statements have been prepared on a historical cost basis, except for items that have been measured at fair value in accordance with IFRS (derivative financial instruments, financial assets represented by shares or bonds in portfolio, investment properties and contingent consideration). The carrying amounts of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in fair value attributable to the risks that are being hedged in effective hedge relationships.
The consolidated financial statements are presented in Euro; all values are rounded to the nearest thousand, unless otherwise indicated.
The consolidated financial statements as at 31 December 2023 provide comparative information in respect of the previous year. In addition, the accounting policies adopted in these consolidated financial statements were applied in the same way also to all the periods of comparison.
For the purposes of preparing these consolidated financial statements, the Group recognised as financial expenses the costs incurred with credit institutions for the issue of guarantees required for the performance of multi-year work orders, previously shown as costs for services, as the Group believes that this classification better represents the economic substance of the case, which is the financial commitment made by the Group for the completion of work orders in progress. To make the data more comparable, the corresponding values for 2022 have also been reclassified using the same criteria.
This reclassification resulted in lower operating costs of Euro 1,226 thousand (Euro 944 thousand in 2022) and corresponding higher financial expenses.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Tesmec S.p.A. and its subsidiaries as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns;

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into

line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.3 Significant accounting principles

Business combinations and goodwill

Business combinations are recorded by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred at fair value as at the date of acquisition and the amount of any minority interest in the acquired company. For each business combination, the purchaser must consider any minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquired company. Acquisition costs are paid and classified among administrative expenses.
When the Group acquires a business, it must classify or designate the acquired financial assets or the liabilities assumed in accordance with the contract terms, the economic conditions and other relevant conditions existing as at the date of acquisition. This includes the verification to establish whether an embedded derivative must be separated from the host contract.
Each contingent consideration must be recognised by the purchaser at fair value as at the date of acquisition. The contingent consideration classified as equity is not remeasured and its subsequent payment is recorded with the shareholders' equity as a balancing entry. The fair value change in the contingent consideration classified as asset or liability, i.e. a financial instrument that is in the scope of IFRS 9 Financial instruments, must be recognised in the income statement in compliance with IFRS 9. The contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the end of the reporting year and changes in fair value are recognised in the income statement.
The goodwill is initially measured at cost that arises as surplus between the sum of the paid consideration and the amount recognised for the minority shares compared to identifiable net assets acquired and liabilities undertaken by the Group. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the Group checks again if it has identified correctly all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.
After initial recognition, goodwill is measured at cost, net of any accumulated impairment loss. For impairment loss verification, the goodwill acquired in a business combination must be allocated, from the date of acquisition, to each cash-generating unit of the Group that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to such units.
If the goodwill has been allocated to the cash-generating unit and the entity disposes of part of the assets of such unit, the goodwill associated to the asset disposed of must be included in the book value of the asset when the profit or loss deriving from the divestment is determined. The goodwill associated with the asset disposed of must be determined on the basis of the values related to the asset disposed of and of the retained part of the cash-generating unit.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting year; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting year; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified under non-current assets and liabilities.

Intangible assets

Intangible assets are recorded in the assets at purchase cost when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be measured reliably. Intangible assets acquired by means of business combinations are recorded at fair value on the date of acquisition. The useful life of intangible assets is measured as definite or indefinite.
Intangible assets with definite lives are amortised on a straight-line basis over their estimated useful life and submitted to impairment test whenever there is a possible impairment loss. The residual useful life is reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected estimated useful life or in the ways in which future economic benefits related to the intangible asset are achieved by the Group are recognised by changing the period and/or the method of amortisation and treated as changes in accounting estimates. Amortisation charges of intangible assets with definite lives are recognised in the income statement in the category of cost consistent with the function of the intangible asset.

The estimate of the useful life of intangible assets with definite lives is set below:

	Years
Industrial rights and patents	5
Development costs	5
Trademarks	5
Other intangible assets	3 - 5

Research and Development costs

Research costs are posted to the income statement when they are borne.
Development costs borne with regard to a particular project concerning the development of new excavating machines, stringing equipment and/or railway machines, of their significant individual components and/or of significant customisations that materialise in new models included in the catalogue, are capitalised only when the Group can show the ability to complete the technical work in order to make it available for use or for sale, its intention to complete the said asset in order to use it or transfer it to third parties, the ways in which it will generate probable future economic benefits, the availability of technical, financial or other type of resources to complete the development, its ability to reliably consider the cost attributable to the asset during its development and the existence of a market for the products and services deriving from the asset or usefulness for internal purposes.
During the period of development, the asset is annually reviewed in order to recognise any impairment loss. After the initial recognition, development costs are measured at cost decreased by any accumulated amortisation or loss. The amortisation of the asset starts when the development is complete and the asset is available for use. It is amortised with reference to the period in which the connected project is expected to generate revenues for the Group, estimated on average over five years. If the projects to which such assets refer are abandoned or the related machines are no longer included in the catalogue, specific impairment indicators are recognised, and therefore the asset is tested for impairment and written down for any impairment loss recognised as described for intangible assets with definite lives.

Rights and trademarks

The purchase costs of the rights and trademarks are amortised over a period of time during the useful life of the acquired asset, which was determined in five years.

Intangible assets with indefinite lives are not amortised but tested annually for impairment losses on an individual basis or in terms of cash-generating unit. The assessment of the indefinite life is reviewed annually to determine whether such an allocation continues to be sustainable otherwise the change from indefinite to definite life applies on a prospective basis.

An intangible asset is derecognised on disposal (i.e. when the acquirer obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net consideration of the disposal and the book value of the asset) is included in the income statement.

Property, plant and equipment

Property, plant and equipment acquired separately, with the exception of the land and buildings item, are recorded at historical cost, including directly imputable additional costs necessary for putting the asset into operation for the use for which it was acquired. This cost includes the charges for replacing part of the machines and plants when they are borne, if complying with the recognition criteria.
Property, plant and equipment acquired by means of business combinations are recorded at fair value on the date of acquisition.
Maintenance and repair costs, which are not likely to enhance and/or extend the residual life of the assets, are paid during the financial year in which they are borne, otherwise they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and any impairment loss determined as described below. The depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reviewed every year and any change, if necessary, is applied prospectively.

The estimate of the useful life of the main classes of property, plant and equipment is set below:

	Years
Buildings	40
Plant and machinery	10
Fixtures and fittings, tools and equipment	4
Leasehold trenchers	5
Other assets	4 – 8

If significant parts of property, plant and equipment have different useful lives, these components are recorded separately.
Lands, both without construction and belonging to buildings, are recorded separately and are not depreciated since they have an unlimited useful life.

Instead for trenching machines totally addressed to lease activity, due to it is necessary a usual replacement of significant parts of these machines, the group depreciate separately the following components, on the base of their useful life:

- frame: 15 years
- motors: 8 years
- caterpillars: 5 years

The book value of property, plant and equipment is subject to an impairment test when events or changed circumstances indicate that the book value cannot be recovered. If there is an indication of this type and, in the event that the book value exceeds the estimated realisable value, assets are written down so as to reflect their realisable value. The realisable value of property, plant and equipment is represented by the net sales price and the value in use, whichever is higher.
When defining the value in use, the expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets that do not generate fully independent financial flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment losses are recorded in the income statement among costs for amortisation, depreciation and write-downs. These impairment losses are reversed if the reasons that generated them no longer exist.
At the time of sale or when there are no future economic benefits expected from the use of an asset, it is written off from the financial statements and any loss or profit is posted to the income statement in the year of the aforesaid writing off.

Leases

The Group assesses at the time of signing an agreement whether it is, or contains, a lease. In other words, whether the contract gives the right to control the use of an identified asset for a period of time in exchange for a consideration.

Contracts with the Group as lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognises the lease liability representing its obligation to make lease payments and the right-of-use asset representing its right to use the underlying leased asset.

Rights of use

The Group recognises the right-of-use asset on the inception date of the lease (i.e. the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, net of accumulated depreciation and any impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at or before the commencement date, net of any incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use or at the end of the lease term, whichever comes first.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the commencement date until the end of the useful life of the underlying asset.

Right-of-use assets are subject to Impairment. Refer to the section Impairment of assets.

Lease liabilities

At the commencement date of the lease, the Group recognises the lease liabilities by measuring them at the present value of the lease payments not yet paid at that date. Payments due include fixed payments net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Group and the penalty payments for termination of the lease, if the lease term takes account of the exercise by the Group of the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at the inception date if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases reflect the lease payments made. Moreover, the book value of lease liabilities is restated in the event of any changes to the lease or for reviewing the contractual terms for the change in payments; it is also restated if there are changes in the valuation of the option to purchase the underlying asset or changes in future payments resulting from a change in the index or rate used to determine such payments.

Short-term leases and leases of low-value assets

The Group applies the exemption for the recognition of short-term leases (leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Group has also applied the exemption for leases relating to low-value assets with reference to lease contracts for office equipment whose value is considered low. Short-term leases and leases of low-value assets are recognised as costs on a straight-line basis over the lease term.

Contracts with the Group as lessor

If the Group signs lease contracts that substantially transfer to the customers all the risks and rewards deriving from the ownership of the leased asset, the revenues concerning the transfer of the asset are recognised in the financial statements and are recorded on the inception date of the lease at the fair value of the leased asset or at the present value of the lease payments, if lower. Moreover, a borrowing that corresponds to the present value of the lease payments still due is recorded in the balance sheet. Financial income is posted directly to the income statement.

Lease contracts in which the Group substantially retains all risks and rewards related to the ownership of the asset are classified as operating leases. Lease income from operating leases must be recognised on a straight-line basis over the lease term and are included in revenues in the income statement due to their operating nature. Initial trading costs are added to the book value of the leased asset and recognised over the term of the contract on the same basis as lease income. Unplanned rents are recognised as revenue in the period in which they accrue.

Impairment of assets

At the end of each reporting year, the Group considers the possible existence of impairment loss indicators of intangible assets with definite lives, of property, plant and equipment, of right-of-use assets and of investments in associates and joint ventures. If these indicators exist, an impairment test is carried out.

The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use, and is determined by single asset, with the exception of the case in which this asset generates financial flows that are not widely independent from those generated by other assets or groups of assets, in which case the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
When determining the value in use, the Group discounts back the present value of future estimated financial flows, by using a pre-tax discount rate that reflects the market evaluations on the time value of money and specific risks of the asset.
In order to estimate the value in use, the future financial flows are derived from the business plans approved by the Board of Directors, which represent the best estimate made by the Group on the economic conditions laid down in the plan period. The projections of the plan normally cover a period of three financial years; the long-term growth rate used in order to estimate the terminal value of the asset or of the unit is normally lower than the average long-term growth rate of the segment, country or market of reference. Future financial flows are estimated by referring to the current conditions: therefore, estimates do not consider benefits deriving from future restructuring for which the Group has not yet committed itself or future investments for improving or optimising the asset or the unit.
If the book value of an asset or cash-generating unit is greater than its recoverable amount, this asset was impaired and consequently amortised until its recoverable amount is reached.
Impairment losses incurred by operating assets are recognised in the income statement in the categories of cost consistent with the function of the asset that showed the impairment loss. At the end of each reporting year, the Group also considers the possible existence of elements indicating a decrease in impairment losses previously recognised and, if these indicators exist, it estimates the recoverable amount again. The value of an asset previously written down can be restored only if there were changes in the estimates used for determining the recoverable amount of the asset after the last recognition of an impairment loss. In this case, the book value of the asset is set to the recoverable amount, however without the possibility for the value thus increased to exceed the book value that would have been determined, net of amortisation, if no impairment had been recognised in previous years. Each reversal of impairment loss is recognised as an income in the income statement; after recognising a reversal of impairment loss, the amortisation rate of the asset is adjusted in future periods, in order to distribute the changed book value, net of any residual value, on a straight-line basis over the remaining useful life.

Intangible assets with an indefinite useful life are tested for impairment at least once a year at the cash-generating unit level and whenever circumstances indicate that there may be an impairment.

Equity investments in associates and joint ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control; it exists only when the operating decisions require the unanimous consent of the parties sharing control.
A jointly-controlled company is a joint venture that involves the establishment of a separate company in which each venturer has an interest and over which it shares control with the other venturers.
An associate is a company over which the Group exercises a significant influence and is not classifiable as subsidiary or joint venture.
The Group consolidates its equity investments in associates and in joint ventures with the equity method.
The application of the equity method involves the initial recognition of the equity investment at cost. Goodwill pertaining to the associated company or joint venture is included at the book value of the equity investment and is subject to a separate impairment test at least annually and whenever indicators of impairment arise. Subsequently, the book value of the equity investment is increased or decreased in order to recognise the Parent Company's relative portion of profits and losses of the investee realised after the acquisition date. The income statement reflects the Group's share of the investee's operating result. The result of the income statement of the joint ventures that offer an operational contribution was included in the Group’s Operating Income. If an investee recognises adjustments directly posted to the shareholders' equity, the Group recognises its share and shows it in the statement of changes in shareholders' equity, if applicable. Any unrealised profit and loss deriving from transactions between the Group and the subsidiary is written off in proportion to the equity investment.
In the presence of impairment indicators, after applying the equity method, the Group determines whether it is necessary to record any additional impairment loss with reference to the net equity investment by carrying out an impairment test. In this case, the Group calculates the amount of the loss as difference between the recoverable amount of the associate or joint venture and its book value in its proper financial statements, recognising this difference in the income statement.
The financial statements of the associated company and joint venture are prepared at the same reporting date of the Group. Any lack of homogeneity in the applied accounting policies are corrected by adjustments. In case the reporting date of some associates is not in line with that of the Group, for the purposes of the Group's consolidated financial statements, the companies will prepare interim closing accounts on dates next to the end of the reporting year of the Group.

The Group holds investments in jointly controlled companies classified as joint ventures. Based on the effective operation of distribution joint ventures (Condux Tesmec Inc., Tesmec Peninsula WLL and Tesmec Saudi Arabia since 2021), the result of these is classified as part of the Operating Income. Considering the type of activity carried out and the actual operating phase, the result of any other JVs held by the Group with non-similar characteristics is classified among the non-operative components of income, together with the results of the associates.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. They are initially recognised at fair value and, after initial recognition, measured in relation to the classification, as required by IFRS 9.

Upon initial recognition, financial assets are classified, as the case may be:
- financial assets at fair value through profit or loss;
- financial assets at amortised cost.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. With the exception of trade receivables that do not contain a significant loan component or for which the Group has applied a practical expedient, the Group initially values a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant loan component or for which the Group has applied a practical expedient are valued at the transaction price as explained in the specific paragraph.
Financial assets at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value recognised in the income statement. This category includes derivative instruments.
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued. Financial assets at amortised cost of the Group include trade receivables.

Financial assets are derecognised from the Group's statement of financial position when:
- rights to receive cash flows from the asset are paid off; or
- the Group has transferred to a third party the right to receive cash flows from the asset or it has assumed the contractual obligation to transfer them totally and without any delays and (a) it has transferred substantially all risks and rewards related to the ownership of the financial asset, or (b) it has not substantially transferred all risks and rewards of the activity, but it has transferred the control of the same.

If the Group has not transferred or retained substantially all the risks and rewards or has not lost control over it, the asset continues to be recognised in the consolidated financial statements of the Group to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability.
The Group records a write-down for expected credit loss ('ECL') for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables. The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.
For the purposes of subsequent valuation, financial liabilities are classified into two categories:
- financial liabilities at fair value through profit or loss;
- financial liabilities at amortised cost.

Financial liabilities at fair value with changes recognised in the income statement include derivative financial instruments subscribed by the Group that are not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Gains or losses on those liabilities are recognised in the income statement for the year.
With regard to financial liabilities at amortised cost, they are measured using the effective interest rate method. Gains or losses are recorded in the income statement when the liability is discharged, in addition to using the amortisation process. Amortisation at the effective interest rate is included in financial expenses in the income statement for the year.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a

derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the book values recognised in the income statement.
For the management of payments with its suppliers, the Group uses some solutions of the “supply chain finance" and in particular it uses the instrument of "indirect factoring" or reverse factoring with some financial institutions. In such cases, the financial institution extinguishes the trade payable by anticipating its payment to the supplier, and grants the Group, of which it has become a creditor, an extension of payment. 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. The liability relating to reverse factoring not included in financial indebtedness is disclosed pursuant to the "Guidance on Disclosure Requirements under the Prospectus Regulation" published by ESMA on 4 March 2021.

Derivative financial instruments

Derivative financial instruments are used by the Group solely with the intent to hedge financial risks relating to exchange-rate changes on commercial transactions in foreign currency and interest rate risks on interest-bearing loans and borrowings. These derivative financial instruments are initially recognised at fair value at the date when the derivative contract is signed, after which these are once again valued at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
If the conditions for the application of hedge accounting do not apply, the effects deriving from the fair value measurement of the derivative financial instrument are booked directly to the income statement.

In accordance with IFRS 9, hedging derivative financial instruments can be recorded according to the methods established for hedge accounting only when all of the following hedging effectiveness requirements are met:

- there is an economic relationship between the hedged item and hedging instrument;
- the effect of the credit risk does not prevail over the changes in value resulting from the economic relation;
- the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

At the end of the reporting year, the Group does not hold derivative instruments that qualify for hedge accounting.

Financial assets and other non-current assets

These assets are measured according to the amortised cost approach by using the effective discount rate method net of any provision for impairment.
The amortised cost is calculated taking into consideration any discount or purchase premium and includes the commissions that are part and parcel of the effective interest rate and of the transaction costs.
Receivables falling due after one year, interest bearing or paying interests lower than the market, are discounted by using interest rates in line with market references.

Inventories

Inventories are measured at the purchase and/or production cost, whichever lower, calculated by using the weighted average cost method, and the net realisable value. The purchase cost is inclusive of additional expenses; the cost of production includes directly attributable costs and a share of indirect costs, reasonably attributable to the products. The net estimated realisable value consists of the estimated sales prices less the estimated completion costs and the costs estimated to make the sale.
Write-down allowances are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.

Construction contracts

The construction contracts are activity deriving from the contract. A work order is a contract specifically negotiated for the construction of an asset according to the instructions of the company commissioning the work, which defines in advance the design and specifications.
Work order revenues include the considerations initially agreed with the company commissioning the work, in addition to variations in the commissioned work and to price changes provided for in the contract that can be measured reliably.
When the work order result can be measured reliably, work order revenues and costs are recognised as sales and as costs on the basis of the percentage of completion; the work in progress is calculated by referring to the costs of the work order borne until the end of the reporting year as a percentage of total costs estimated for each work order.
The costs borne in relation to future activities of the work order are excluded from the work order costs when calculating the work in progress and are recorded as inventories.

Total estimated costs for each work order are reviewed periodically, and when the costs of the work order are expected to be greater than its total revenues, the expected loss is recognised immediately as a cost.

Trade receivables and other current assets

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.
Other current assets are initially recorded at fair value, which generally corresponds to the nominal value and subsequently measured at amortised cost and reduced in case of impairment losses. The Group availed itself of the possibility not to use the amortised cost criterion if this would have irrelevant effects in order to give a true and fair view.
These financial assets are subsequently measured recognising a specific allowance for expected credit losses ('ECL'). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the Group applies a simplified approach in calculating ECLs using a provision matrix that is based on its historical experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
Receivables in foreign currency other than the reporting currency are recorded at the exchange rate of the date of operation and subsequently converted to the exchange rate at the end of the financial year. The profit or loss resulting from the conversion are attributed to the income statement.
If the maturity of the trade receivables and of the other current assets does not fall within the normal commercial terms and do not bear interests, a detailed discounting process is applied based on assumptions and estimates.
The Tesmec Group assigns part of its trade receivables through factoring without recourse. Receivables assigned following factoring operations can be written off from the assets of the balance sheet only if the risks and rewards related to their legal ownership were substantially transferred to the assignee.

Other receivables and other financial assets

They are recorded initially at fair value and subsequently measured according to the amortised cost.

Cash and cash equivalents

Cash and short-term deposits include cash on hand as well as on-demand and short-term bank deposits; in this last case, with original maturity of no more than three months. Cash and cash equivalents are booked at nominal value and at the spot exchange rate at the end of the financial year, if in currency, corresponding to the fair value.

Loans

Loans are initially recognised at fair value of the amount received, net of any related loan acquisition costs.
After initial recognition, loans are valued using the amortised cost approach, applying the effective interest rate method. Any profit or loss is recorded in the income statement when the liability is discharged, in addition to using the amortisation process. The Group availed itself of the possibility not to use the amortised cost criterion if this would have irrelevant effects in order to give a true and fair view.

Treasury shares

The repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of transfer, is recognised in share premium reserve.
The voting rights related to the treasury shares are cancelled as well as the right to receive dividends. In case of exercise of share options during the period, these are met with treasury shares.

Trade payables and other payables

Payables are measured at nominal value.
Given the granted terms of payment, when a financial operation is configured, payables measured with the amortised cost approach are submitted to the discounting back of the nominal value to be paid, recording the discount as a financial charge. The Group availed itself of the possibility not to use the amortised cost criterion if this would have irrelevant effects in order to give a true and fair view.
Payables in foreign currency are aligned with the exchange rate at the end of the financial year and profits or losses deriving from the adjustment are posted to the income statement in unrealised exchange profits/losses.

Provisions for risks and charges

Provisions for risks and charges are made when the Group must face up a current liability (legal or implicit) that is the result of a past event; an outflow of resources is likely to meet this obligation and it is possible to make a reliable estimate of its amount.
When the Group believes that a provision for risks and charges will be partially or totally reimbursed, for example in the case of risks covered by insurance policies, the compensation is recognised separately in the assets only if it is practically certain. In this case, the cost of any provision is stated in the income statement net of the amount recognised for the compensation.
If the discounting back effect of the value of money is significant, provisions are discounted back using a pre-tax discount rate that reflects, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial expense.

The Group makes provisions for product warranties in relation to the warranty contractually granted to its customers on the sold machines. These provisions are calculated on the basis of the historical incidence of costs for product warranty borne in past financial years, of the period of validity of the granted warranties and revised annually.

Employee benefit liability

Post employment benefits are defined on the basis of plans, even though not yet formalised, which are classified as "defined contribution" and "defined benefit" in relation to their characteristics.
The Italian legislation (Article 2120 of the Italian Civil Code) establishes that, at the date on which each employee rescinds the employment contract with the company, he/she receives an allowance called TFR (severance indemnity). The calculation of this allowance is based on some items forming the yearly pay of the employee for each year of work (properly revalued) and on the duration of the employer-employee relationship. According to the Italian civil law, this allowance is reflected in the financial statements according to a calculation method based on the allowance accrued by each employee at the reporting date, if all employees rescind the employment contract on that date.
The IFRIC of the IASB dealt with the TFR matter, as defined by the Italian legislation, and concluded that, in accordance with IAS 19, it must be calculated according to a method called Projected Unit Credit Method (known as PUCM) in which the amount of the liability for the acquired benefits must reflect the expected resignation date and must be discounted back.
The Group's net liability deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that the employees acquired in exchange for the work carried out in the current financial year and in prior financial years; this benefit is discounted back to calculate the present value. As envisaged by IAS 19, actuarial gains and losses are recorded in full in the comprehensive income statement in the period in which they arise. The evaluation of liabilities is made by an independent actuary.
The Group has no other defined benefit pension plan.
The Group's liability deriving from defined-contribution plans is limited to the payment of contributions to the State or to an asset or legally separate entity (known as fund), and is determined on the basis of the contributions due.

Government grants

Government grants are recognised in the financial statements when there exists a reasonable certainty that they will be received and that the company will meet all the conditions for receiving them. When the contributions are related to cost components, they are recognised as revenues, but are allocated systematically across the financial years in order to be proportionate to the costs that they intend to compensate. If a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and they are gradually discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.
If the Group receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.
In case of loans or similar forms of assistance supplied by government entities or similar institutions that have an interest rate lower than the current market rate, the effect related to the favourable interest rate is considered as an additional government grant.

Revenues from contracts with customers

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation identified on the basis of the 'stand alone' selling price of each

item of goods or each service; (v) recognition of the revenue when the relative performance obligation has been fulfilled, or at the time of transfer to the customer of the goods or services promised; the transfer is considered complete when the customer obtains control of the goods or services, which may continue over time, or at a specific point in time.
Revenues are recognised at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenues from contracts with customers are therefore recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Generally, control of the asset is transferred to the customer on delivery.

More specifically, with reference to sales with CIF condition, control of the asset is transferred to the end customer, and therefore the revenues are recognised, when the asset is handed over at the broadside of the ship. With regard to any machine completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Group, revenues are recognised if the following conditions established by paragraph B81 of IFRS 15 and are designed to understand the substance of the transaction at the end of the reporting year:

- the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer;
- the Group cannot have the ability to use the product or to direct it to another customer.

With reference to the sales of goods to the Joint ventures, if, at the reporting date, the Joint venture has not sold the asset to the end customer, the margin achieved with it, following the application of the equity method by the Tesmec Group in the consolidated financial statements, is reversed in relation to the amount of shares held in the capital of the company.

If the trade agreements related to the sales of machines contemplate their on-site testing at the premises of the purchaser as a binding condition for the acceptance of the machine, the revenues are recognised when the machine has been tested and the purchaser has accepted.

The allocation of revenues relative to services partially rendered are recognised for the portion matured, if it is possible to reliably determine stage of completion and there is no significant uncertainty about the amount and existence of the income.

In particular, Tesmec Group provides services that contemplate an excavation activity carried out by using machines belonging to the company and specialised workers employed by third-party companies. The provision of these services is contractually regulated by agreements with the counterparty that indicate, among other things, the timing for carrying out the excavation and contemplate a price per excavated metre that changes according to different hardness of the soil. Revenues are recognised on the basis of the actual excavation carried out to date.

Furthermore, the Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g.: warranties). In determining the price of the sale transaction, the Group considers the effects arising from the presence of variable considerations, significant financing components, non-monetary considerations and considerations to be paid to the customer (if any).

Tesmec Group provides after-sales services concerning the machines sold and these standard warranties on quality are accounted for under IAS 37 “Provisions, contingent liabilities and contingent assets”. If these services are requested after the expiry of the warranty period, the service is contractually regulated by agreements with the counterparty. Revenues are recognised based on the time and components used by the technicians during repair operations.
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The recognition in the accounts of certain contractual agreements with customers envisages the recognition of revenue based on the progress of the activity, the determination of which is based on estimates of the costs incurred and at completion.

Costs

Costs are recognised in the year when they relate to goods and services sold or consumed during the same year or when it is not possible to identify their future use.

Labour costs comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions in compliance with national contracts of employment and current legislation.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis and consist of interests accrued on the net value of the related financial assets and liabilities, by using the effective interest rate.

For the purposes of preparing these consolidated financial statements, the Group recognised as financial expenses the costs incurred with credit institutions for the issue of guarantees required for the performance of multi-year work orders, previously shown as costs for services, as the Group believes that this classification better represents the economic substance of the case, which is the financial commitment made by the Group for the completion of work orders in progress. To make the data more comparable, the corresponding values for 2022 have also been reclassified using the same criteria.

Fair Value Measurement

Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - quoted prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than quoted prices included in Level 1 which can be observed, either directly or indirectly for the asset or liability to be measured;
- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

The fair value of financial instruments that do not have a quoted market price in an active market is determined by using measurement techniques based on a series of methods and assumptions related to market conditions at the end of the reporting year.

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises, coinciding with the time in which they are decided.

Income tax

Current taxation

Taxes reflect an estimate of the tax burden, determined by applying the laws and regulations in force in the Countries where the Tesmec Group carries on its activity and are valued at the amount expected to be recovered or paid to the tax authorities. Current tax liabilities are calculated by using the rates in force or substantially approved at the end of the reporting year. Current tax liabilities are recorded in the current liabilities net of any paid tax advances.

Taxable income for tax purposes differs from the pre-tax profit or loss indicated in the income statement, because it excludes positive and negative components that will be taxable or deductible in other financial years and excludes items that will never be taxable or deductible.

Deferred taxes

Deferred taxes are calculated by applying the "liability method", on the temporary differences resulting at the end of the reporting year among the tax values used as a reference for assets and liabilities and their values indicated in the financial statements.
Deferred tax liabilities are recognised on all taxable temporary differences.
Deferred tax assets are recognised for all the temporary deductible differences and for retained tax assets and liabilities, insofar as the existence of appropriate future tax profits that can apply the use of the temporary deductible differences and of the retained tax assets and liabilities is likely.
The value to be stated in the financial statements for deferred tax assets is reviewed at the end of each reporting year and is reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available in the future for this tax credit to be used totally or partially. Deferred tax assets not recognised are reviewed every

year at the end of the reporting year and are recognised to the extent that the pre-tax profit is probably sufficient to allow the recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the financial year in which such assets are sold or such liabilities are discharged, considering the rates in force and those already issued or substantially issued at the end of the reporting year.
Deferred tax assets and liabilities are recognised directly in the income statement, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also accounted for consistently without booking to the income statement.
Deferred tax assets and liabilities are offset, if there is a legal right to offset current tax assets against current tax liabilities, and the deferred taxes refer to the same tax entity and to the same tax authority.
Assets for deferred tax assets and liabilities for deferred tax liabilities are classified as non-current assets and liabilities.

Indirect taxes

Revenues, costs, assets and liabilities are recognised net of indirect taxes (such as value added tax) with the exception of the case in which:

- such tax applied to the purchase of goods and services is not deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- they refer to trade receivables and payables for which the invoice has already been issued or received by including the value of the tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is recorded in the financial statement item other receivables or payables depending on the sign of the balance.
VAT related to invoicing to public bodies is paid to the Italian Tax authority when the receivable is collected during suspended VAT, pursuant to Italian Presidential Decree no. 633/72 and subsequent amendments.

Earnings per share

The basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the outstanding shares during the year. For the purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified by assuming the conversion of all the potential dilutive shares. The net result is also adjusted to take account of the effects, net of tax, of the conversion.
The diluted earnings per share coincide with the basic earnings, since there are no outstanding shares or options other than ordinary shares.

3.4 Accounting standards, amendments and IFRS interpretations applied as from 1 January 2023.

The accounting standards adopted for the preparation of the consolidated financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2022, with the exception of the adoption as of 1 January 2023 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 2023 but have no impact on the Group's consolidated financial statements.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions apply with regard to the scope of application. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Contrary to the requirements of IFRS 4, which are largely based on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adjustment for contracts with direct participation characteristics (the variable commission approach)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

The amendments had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and by adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions.
The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to have an impact on the disclosure of accounting policies in the Group's consolidated annual financial statements.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and dismantling liabilities.
The amendments had no impact on the Group's consolidated financial statements.

3.5 Discretionary evaluation and significant accounting estimates

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these accounting estimates affects the book value of contingent assets and liabilities at the end of the reporting year as well as the amounts of income and expenses during the reporting year. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Summarised below are those accounting estimates used in the preparation of financial statements and interim reports that are considered critical because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. The Group based its estimates and assumptions on parameters available at the time of preparation of the consolidated financial statements. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

Deferred tax assets

Deferred tax assets are recognised for all the temporary differences and all retained tax losses, in so far as the existence of adequate taxable future profits for which such losses may be used is likely. Directors are requested a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the probable time in which it will reveal itself and the amount of taxable future profits as well as a future tax planning strategy.

Employee benefits

Post-employment benefit plans arising from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including, among others, discount rates, expected rates of salary increases, mortality rates, retirement dates and medical cost trends. Since these are long-term plans, such estimates are subject to a significant level of uncertainty and are sensitive to changes in hiring. All hires are reviewed every year.

Development costs

Development costs are capitalised on the basis of IAS 38 and are based on the fact that the directors' opinion on the technical feasibility and economic viability of the project is confirmed, so as to allow the recoverability of the capitalised costs. The directors must make assumptions on future cash flows expected from projects, discount rates to be applied and the periods during which the expected benefits reveal themselves in order to determine the values to be capitalised.

Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher value between its fair value deducted the selling costs and its value in use. Fair value less selling costs is equal to the amount obtainable from the sale of an asset or cash-generating unit in a free transaction between knowledgeable, willing parties, deducted from writing off costs. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the business plan of the next three years and do not include restructuring activities for which the Group has not yet committed to or significant future investments that will increase the results related activity included in the cash-generating unit evaluated. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected cash flows in the future and the growth rate used for extrapolation, as well as external variables that cannot be controlled, including exchange and interest rates, infrastructure investments in the countries where the Group operates, geopolitical or social factors with a local or global impact.

Reverse factoring

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.

Revenues

The recognition in the accounts of certain contractual agreements with customers envisages the recognition of revenue based on the progress of the activity, the determination of which is based on estimates of the costs incurred and at completion. These estimates involve a technical recognition process of the order that involves subjective assessments of its completion.
Likewise, with reference to the typical cases for the Tesmec Group in which there are machines completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Group, revenues are recognised if the following provisions of IFRS 15 are met, including those mentioned above, designed to understand the substance of the transaction at the end of the reporting year. The determination of these aspects necessarily involves a subjective assessment of the elements to be considered and their scope in relation to the transaction in question.

Lease – Estimate of the incremental borrowing rate

The Group may not easily determine the interest rate implicit in the lease and therefore uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate reflects what the group should have paid, and this requires an estimate to be made when no observable data exist or when rates need to be adjusted to reflect the terms and conditions of the lease.

Moreover, estimates are used for recognising the ECLs for trade receivables, provisions for product warranties, for risks and charges, for inventory obsolescence, amortisation, depreciation and write-downs of assets, as well as the fair value of financial instruments.
Estimates and assumptions are periodically revised and the effects of each change are immediately reflected in the income statement.
Lastly, in applying the Group's accounting standards, the directors made decisions based on certain discretionary evaluations (excluding those involving estimates).

Classification of costs incurred for the issue of guarantees for the execution of multi-year contracts

Starting from financial year 2023, the Group reports among financial charges the costs incurred towards credit institutions for the issue of guarantees necessary for the execution of multi-year job contracts, previously reported as costs for services, believing that this classification allows better represent the economic substance of the case which is constituted by the financial commitment incurred by the Group for the completion of ongoing contracts.

Lease term of contracts containing an extension option (Group as lessee)

The Group determines the lease term as the non-cancellable period of the lease plus the periods covered by the option to extend the lease if there is reasonable certainty of exercising this option and the periods covered by the termination option, if there is reasonable certainty of not exercising this option. The Group has the option, for some of its leases, to extend the lease or terminate it early. The Group applies its own judgement in assessing whether there is reasonable certainty of exercising the renewal options and considers all the factors recognised that may give rise to an economic incentive to exercise the renewal options or to conclude the agreement. After the commencement date, the Group reviews its estimates of the lease term if a significant event or significant change occurs in circumstances under its control that may affect the ability to exercise (or not exercise) the renewal or early termination option.

Discretionary assessments in determining the de facto control

For those entities in which the Group does not hold a majority of the voting rights at the respective shareholders' meetings, the Group assesses at its discretion whether a situation of *de facto* control over such entities exists, taking into consideration the following elements:

- loss of voting rights: the Group assesses the number of voting rights it can cast in relation to the number of votes that other members/shareholders can cast individually and the loss of these voting rights;
- voting history: the Group assesses the number of votes it has cast at previous meetings and the weight of those votes in the decisions taken at those meetings;
- governance arrangements: the Group assesses its representation on governing bodies with operational and strategic decision-making authority over the entity and the regulations for appointing such representatives;
- contractual relationships and/or significant transactions with the entity.

The Group owns 49% of the capital of Tesmec Peninsula WLL, based in Doha, Qatar, while the remaining 51% is owned by Fusion Middle East Services WLL, a company under Qatari law. Due to the Qatari "Foreign Investment Law", which requires that the majority of the capital of an entity incorporated under Qatari law must remain in the hands of a local shareholder, the Tesmec Group cannot own more than 50% of the capital of the entity. However, under the terms of the company agreements, the entity is managed by a single director (the General Manager) who is appointed and removed solely by the Tesmec Group and to whom the broadest powers of direction and supervision of the entity's business are delegated. Moreover, the distribution agreements of any profit for the year envisage that 99% of it is to be distributed to the Tesmec Group and 1% to the local partner. Therefore, the Group considers that it has de facto control over the entity based on the elements considered that meet the criteria of IFRS 10.

4 Financial risk management policy

The Group is exposed in varying degrees to financial risks related to the core business. In particular, the Group is exposed at the same time to the market risk (interest-rate risk and exchange-rate risk), liquidity risk and credit risk.
The management of financial risks (mainly interest-rate risks) is carried out by the Group on the basis of guidelines defined by the Board of Directors. The purpose is to guarantee a liability structure always in equilibrium with the structure of the balance sheet assets, in order to keep a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- interest bearing medium/long-term financial payables with multiyear redemption plan, to cover the investments in fixed assets.
- short-term financial payables and bank overdrafts to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 3-month Euribor rates plus a spread that depends on the financial instrument used and on the rating of the Company.
The Group uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The Group does not apply the Cash Flow Hedge Accounting with reference to such positions in that they do not meet the requirements provided in this regard by the IFRS.
The trading of derivative instruments with speculative purposes is not contemplated.

Management of the exchange-rate risk

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

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

As at 31 December 2023, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in *interest-bearing financial payables* (current portion) due to fluctuating market rates. The notional value of these positions is equal to Euro 9.4 million, with a positive equivalent value of Euro 335 thousand.

As at 31 December 2022, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in *interest-bearing financial payables* (current portion) due to fluctuating market rates. The notional value of these positions is equal to Euro 14.94 million, with a positive equivalent value of Euro 753 thousand.

The short-term portion of interest bearing financial payables (current portion), which is mainly used to finance working capital requirements, is not subject to interest-rate risk hedging.

The cost of bank borrowing is benchmarked to the Euribor/Libor rate plus a spread that depends on the type of credit line used and is the same by type of line. The applied margins can be compared to the best market standards. The interest rate risk to which the Group is exposed is mainly originated from existing financial payables.

The main sources of exposure of the Group to the interest-rate risk refer to existing interest bearing medium/long-term financial payables (current portion) and interest bearing short-term financial payables and to the existing derivative instruments. In particular, the potential impacts on the Income Statement of the 2023 financial year (compared to 2022) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2023 financial period.
- potential change in fair value of existing derivative instruments.

The potential changes in fair value of the effective component of existing hedging derivative instruments affect Shareholders' Equity.
The Group estimated the potential impacts on the income statement and on shareholders' equity of the 2023 financial year (compared to 2022) produced by a simulation of the change in the term structure of the interest rates, by using internal measurement models, based on the general acceptance approach. In particular:

- for loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates, applied only to the cash flows to be settled during the 2019 financial period (compared to 2018).
- for derivative instruments, by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates.

With reference to the situation as at 31 December 2023, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2024 financial year of Euro 143 thousand, offset by an increase of Euro 4 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 100 thousand, offset by a decrease of Euro 1 thousand in the collected spread for the existing derivatives.

With reference to the situation as at 31 December 2022, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2023 financial year of Euro 103 thousand, offset by an increase of Euro **8** thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 72 thousand, offset by a decrease of Euro 2 thousand in the collected spread for the existing derivatives.

	Interests					
	31 December 2023			**31 December 2022**		
(Euro in thousands)	**Residual debt**	**Impact on IS +100 bps**	**Impact on IS - 30 bps**	**Residual debt**	**Impact on IS +100 bps**	**Impact on IS - 30 bps**
Borrowings/Bond issue	235,430	(143)	100	197,043	(103)	72
Total Loans	**235,430***	**(143)**	**100**	**197,043***	**(103)**	**72**

(Euro in thousands)	Notional	Impact on IS +100 bps	Impact on IS - 30 bps	Notional	Impact on IS +100 bps	Impact on IS - 30 bps
Derivative instruments hedging cash flows	9,356	4	(1)	14,937	8	(2)
Total Derivative instruments	**9,356**	**4**	**(1)**	**14,937**	**8**	**(2)**
Total		**(139)**	**99**		**(95)**	**70**

* The residual debt is considered before amortised costs

	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2023									
(Euro in thousands)	Notional value	Net FV	Net FV +100 bps	Net FV +100 bps	Impact on IS +100 bps	Impact on SE +100 bps	Net FV - 30 bps	Net FV - 30 bps	Impact on IS -30 bps	Impact on SE - 30 bps
Derivative instruments hedging cash flows	9,356	335	(336)	(338)	(414)	-	334	332	(419)	-
Total	**9,356**	**335**	**(336)**	**(338)**	**(414)**	**-**	**334**	**332**	**(419)**	**-**
	Financial year ended 31 December 2022									
(Euro in thousands)	Notional value	Net FV	Net FV +100 bps	Net FV +100 bps	Impact on IS +100 bps	Impact on SE +100 bps	Net FV - 30 bps	Net FV - 30 bps	Impact on IS -30 bps	Impact on SE - 30 bps
Derivative instruments hedging cash flows	14,937	753	(755)	(761)	(761)	-	755	761	761	-
Total	**14,937**	**753**	**(755)**	**(761)**	**(761)**	**-**	**755**	**761**	**761**	**-**

With reference to the situation as at 31 December 2023, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 414 thousand, with an impact only on the Income statement of the 2024 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in an increase in the asset value of the existing hedging derivative instruments of around Euro334 thousand, with an impact only on the Income Statement of the 2024 financial year.

With reference to the situation as at 31 December 2022, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 761 thousand, with an impact only on the Income statement of the 2023 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in an increase in the asset value of the existing hedging derivative instruments of around Euro 755 thousand, with an impact only on the Income Statement of the 2023 financial year.

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 12 months.

Management of liquidity risk

The Group has a much parcelled out customer structure being mostly end-consumers. Moreover, most of the contemplated forms of collection include advance payments of the supply or a deposit not less than 30% of the sale. This structure zeroes the credit risk; the validity of this approach is endorsed by the low amount of receivables at the end of the financial period compared to the amount of annual sales.
There are no significant concentrations of credit risk exposure in relation to individual debtors to be reported.

The stratification of existing liabilities with reference to 2023 and to 2022 financial periods, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2023						
	Financial payables		Bonds		Trade payables	Financial instruments	Total
	Capital	Interests	Capital	Interests			
(Euro in thousands)	a	b	c	d	e	f	g=a+b+c+d+e+f
Within 12 months	112,105	4,689	1,246	33	82,842	-	**200,915**
Between 1 and 2 years of age	42,686	3,295	-	-	-	(170)	**45,811**
Between 2 and 3 years of age	36,555	4,083	-	-	-	-	**40,638**
Between 3 and 4 years of age	19,383	1,048	-	-	-	(165)	**20,266**
Between 4 and 5 years of age	11,793	446	-	-	-	-	**12,239**
Over 5 years	11,662	707	-	-	-	-	**12,369**
Total	**234,184***	**14,268**	**1,246**	**33**	**82,842**	**(335)**	**332,238**

* The residual debt is considered before amortised costs

Maturity	31 December 2022						
	Financial payables		Bonds		Trade payables	Financial instruments	Total
	Capital	Interests	Capital	Interests			
(Euro in thousands)	a	b	c	d	e	f	g=a+b+c+d+e+f
Within 12 months	83,754	3,712	3,716	301	74,178	-	**165,661**
Between 1 and 2 years of age	36,396	2,727	1,247	33	-	-	**40,403**
Between 2 and 3 years of age	28,963	1,921	-	-	-	(441)	**30,443**
Between 3 and 4 years of age	27,179	1,410	-	-	-	(312)	**28,277**
Between 4 and 5 years of age	7,753	52	-	-	-	-	**7,805**
Over 5 years	8,035	243	-	-	-	-	**8,278**
Total	**192,080***	**10,065**	**4,963**	**334**	**74,178**	**(753)**	**280,867**

* The residual debt is considered before amortised costs

The estimate of expected future expenses implicit in loans and of expected future differentials implicit in derivative instruments was determined on the basis of the term structure of interest rates in Euro existing at the reporting dates (31 December 2023 and 31 December 2022).

Management of the exchange-rate risk

The Group is exposed to exchange-rate fluctuations of the currencies in which the sales to foreign customers are paid (US Dollars, South African Rand, Australian dollars, Chinese renminbi, Russian Rouble). This risk is expressed if the equivalent value in Euro of revenues decreases following negative exchange-rate fluctuations, thereby preventing the Company from achieving the desired margin. This risk is increased due to the relevant time interval between the moment in which the prices of a shipment are fixed and the moment in which the costs are converted in Euro.
The potential impacts on the Income Statement of the 2023 financial year (compared to 2022) referable to the exchange-rate risk are determined by the revaluation/write-down of asset and liability items in foreign currency.

The Group estimated the potential impacts on the Income Statement of the 2023 financial year (compared to 2022 calculated) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

	2023 Exposure in foreign currency (USD)			2023 Sensitivity	
Exposure with regard to equity items	Assets (USD/000)	Liabilities (USD/000)	Net (USD/000)	Income statement EUR/USD exchange rate +5% (EUR/000)	Income statement EUR/USD exchange rate -5% (EUR/000)
Trade receivables	12,205	-	12,205	(552)	552
Financial receivables	7,611	-	7,611	(344)	344
Trade payables	-	(3,014)	(3,014)	136	(136)

Total gross exposure with regard to equity items	**19,816**	**(3,014)**	**16,802**	**(760)**	**760**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (USD)			2022 Sensitivity	
	Assets (USD/000)	Liabilities (USD/000)	Net (USD/000)	Income statement EUR/USD exchange rate +5% (EUR/000)	Income statement EUR/USD exchange rate -5% (EUR/000)
Trade receivables	15,847	-	15,847	(743)	743
Financial receivables	-	(2,466)	(2,466)	116	(116)
Trade payables	2,862	-	2,862	(134)	134
Total gross exposure with regard to equity items	**18,709**	**(2,466)**	**16,243**	**(761)**	**761**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (ZAR)			2023 Sensitivity	
	Assets (ZAR/000)	Liabilities (ZAR/000)	Net (ZAR/000)	Income statement EUR/ZAR exchange rate +5% (EUR/000)	Income statement EUR/ZAR exchange rate -5% (EUR/000)
Trade receivables	40,873	-	40,873	(100)	100
Financial receivables	85,568	-	85,568	(210)	210
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**126,441**	**-**	**126,441**	**(310)**	**310**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (ZAR)			2022 Sensitivity	
	Assets (ZAR/000)	Liabilities (ZAR/000)	Net (ZAR/000)	Income statement EUR/ZAR exchange rate +5% (EUR/000)	Income statement EUR/ZAR exchange rate -5% (EUR/000)
Trade receivables	4,560	-	4,560	(13)	13
Financial receivables	-	-	-	-	-
Trade payables	79,585	-	79,585	(220)	220
Total gross exposure with regard to equity items	**84,145**	**-**	**84,145**	**(233)**	**233**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (AUD)			2023 Sensitivity	
	Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	Income statement EUR/AUD exchange rate +5% (EUR/000)	Income statement EUR/AUD exchange rate -5% (EUR/000)
Trade receivables	5,643	-	5,643	(173)	173
Financial receivables	29,345	-	29,345	(902)	902
Trade payables	-	(8)	(8)	-	-
Total gross exposure with regard to equity items	**34,988**	**(8)**	**34,980**	**(1,075)**	**1,075**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (AUD)			2022 Sensitivity	
	Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	Income statement EUR/AUD exchange rate +5% (EUR/000)	Income statement EUR/AUD exchange rate -5% (EUR/000)
Trade receivables	3,961	-	3,961	(126)	126
Financial receivables	-	(40)	(40)	1	(1)
Trade payables	22,273	-	22,273	(710)	710
Total gross exposure with regard to equity items	**26,234**	**(40)**	**26,194**	**(835)**	**835**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (CNY)			2023 Sensitivity	
	Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	1,007	-	1,007	(6)	6
Financial receivables	8,823	-	8,823	(56)	56
Trade payables	1,087	(16)	1,071	(7)	7
Total gross exposure with regard to equity items	**10,917**	**(16)**	**10,901**	**(69)**	**69**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (CNY)			2022 Sensitivity	
	Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	349	-	349	(2)	2
Financial receivables	349	(1)	348	(2)	2
Trade payables	9,303	-	9,303	(63)	63
Total gross exposure with regard to equity items	**10,001**	**(1)**	**10,000**	**(67)**	**67**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (RUB)			2023 Sensitivity	
	Assets (RUB/000)	Liabilities (RUB/000)	Net (RUB/000)	Income statement EUR/RUB exchange rate +5% (EUR/000)	Income statement EUR/RUB exchange rate -5% (EUR/000)
Trade receivables	-	-	-	-	-
Financial receivables	49,737	-	49,737	(25)	25
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**49,737**	**-**	**49,737**	**(25)**	**25**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (RUB) Assets (RUB/000)	Liabilities (RUB/000)	Net (RUB/000)	2022 Sensitivity Income statement EUR/RUB exchange rate +5% (EUR/000)	Income statement EUR/RUB exchange rate -5% (EUR/000)
Trade receivables	-	-	-	-	-
Financial receivables	47,684	-	47,684	(33)	33
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**47,684**	**-**	**47,684**	**(33)**	**33**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (NZD) Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	2023 Sensitivity Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	223	-	223	(6)	6
Financial receivables	-	-	-	-	-
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**223**	**-**	**223**	**(6)**	**6**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (NZD) Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	2022 Sensitivity Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	31	-	31	(1)	1
Financial receivables	-	-	-	-	-
Trade payables	401	-	401	(12)	12
Total gross exposure with regard to equity items	**432**	**-**	**432**	**(13)**	**13**
Derivative instruments	-	-	-	-	-

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 30-60-90 days, consistent with the expected duration of exposures.

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

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

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

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

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

(Euro in thousands)	31 December 2023	31 December 2022
NON-CURRENT ASSETS:		
Receivables and other financial assets	11,658	10,549
Derivative financial instruments	335	753
Non-current trade receivables	2,575	1,754
CURRENT ASSETS:		
Trade receivables	45,643	56,229
Financial receivables	27,888	17,163
Cash and cash equivalents	53,680	50,987

(Euro in thousands)	31 December 2023	31 December 2022
NON-CURRENT LIABILITIES:		
Financial payables	92,007	91,130
Non-current bond issue	-	1,246
Non-current financial liabilities and rights of use	29,849	16,772
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	102,565	76,369
Current bond issue	1,246	3,717
Current financial liabilities and rights of use	9,398	7,280
Trade payables	82,842	74,178
Advances from customers	2,611	12,574

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 30-60-90 days, consistent with the expected duration of exposures.

The following table shows the book values for each class of financial assets and liabilities:

(Euro in thousands)	Loans and receivables/payables at amortised cost	Cash and cash equivalents	Fair value recognised in the income statement
Financial assets:			
Financial receivables	11,658	-	-
Derivative financial instruments	-	-	335
Non-current trade receivables	2,575	-	-
Total non-current	**14,233**	**-**	**335**
Trade receivables	42,717	-	-
Trade receivables from related parties	2,926	-	-
Financial receivables from third parties	25,283	-	-
Financial receivables from related parties	2,605	-	-
Cash and cash equivalents	-	53,680	-
Total current	**73,531**	**53,680**	**-**
Total	**87,764**	**53,680**	**335**
Financial liabilities:			
Medium/long-term loans	92,007	-	-
Non-current financial liabilities from rights of use	29,849	-	-
Total non-current	**121,856**	**-**	**-**

Interest-bearing financial payables (current portion)	101,484	-	-
Financial payables to related parties	1,081	-	-
Current bond issue	1,246	-	-
Current financial liabilities from rights of use	9,398	-	-
Trade payables due to third-parties	81,602	-	-
Trade payables due to related parties	1,240	-	-
Advances from customers	2,611	-	-
Total current	**198,662**	**-**	**-**
Total	**320,518**	**-**	**-**

Disclosures: hierarchy levels of fair value measurement

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

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

The following table shows the assets and liabilities that are measured at fair value as at 31 December 2023, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 December 2023**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	335	-	335	-
Total non-current	**335**	**-**	**335**	**-**
Total	**335**	**-**	**335**	**-**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Total non-current	**-**	**-**	**-**	**-**
Derivative financial instruments	-	-	-	-
Total current	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**

5 Impairment Test

As envisaged by IAS 36, at least at the end of each reporting period, the Group verifies whether the value of fixed assets may have been impaired, thus estimating the recoverable amount of such assets in such circumstances and any difference from the carrying amount. In assessing the case that one or more CGUs may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group were considered.

For the purposes of drafting these consolidated financial statements, in consideration of the results of the main subsidiaries that correspond to the CGUs identified at the consolidated financial statement level, no general impairment indicators were identified and therefore it was not necessary to carry out an impairment test of a specific nature. general relating to all non-current assets held by the Group.

As already indicated in the management report, it is also noted that the market capitalization at the balance sheet date (Euro 71.6 million) is, albeit slightly, lower than the book value of the consolidated shareholders' equity (Euro 80 million). It is believed that this difference is entirely attributable to the discounts that the Market, in the current phase, is applying to non-large capitalization and therefore "thin" stocks, together with a 2024 performance which, although with revenues increasing compared to 2023, has nevertheless affected by a slowdown compared to estimates. It is the Group's management's belief that the stock prices of Tesmec ordinary shares will be able to better reflect a more correct assessment of the value of the Group, once the economic-financial targets of the 2024 Budget are achieved.

Finally, it is noted that the Group holds investments in associated companies and joint ventures, valued according to the equity method, which involves the initial recognition of the investment at cost. Any goodwill relating to the associate or joint venture is included in the book value of the investment and is subject to a separate impairment test at least annually and whenever indicators of impairment emerge.

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

Fair value is the income obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, net of directly attributable expenses. Depending on the circumstances, this value is determined on the basis of the agreed price if there is a binding sale agreement established in an uncontrolled transaction (net of disposal costs) or the market price, less selling costs, if the asset is traded in an active market. Conversely, the value in use is the discounting back of expected cash flows by applying an appropriate rate (equal to the weighted average cost of capital). The impairment loss resulting from the impairment test is measured by the excess of the carrying amount of the asset over its recoverable amount.
The operating cash flows used for the purpose of impairment testing derive from the plans of the single Cash Generating Unit drawn up by the Management on the basis of the Budget 2024 and of the Business Plan 2024-2027 approved by the Board of Directors on 8 March 2024. The estimate of those cash flows includes assumptions of the Directors consistent with the strategy of the Tesmec Group in the individual businesses and markets in which it operates and also depends on external variables not subject to the management's control, such as exchange rate and interest rate trends, the supply cost trend including the cost of energy, the availability of raw materials and in general the absence of prolonged rigidity constraints in the supply chain and logistics, infrastructure investments in the countries where the group operates, the trends of the energy sector related to the energy transition and of the rail sector related to sustainable mobility, macro political or social factors of local or global impact.

These external factors, in line with IAS 36, were estimated on the basis of the elements known at the end of the reporting year and, in the current context of uncertainty related to the increase in procurement costs and, more generally, to the macroeconomic framework of the reference markets in which the Group operates, they incorporate the expectations of a gradual economic recovery that is not affected with reference to the medium/long-term prospects, although the typical risk profiles associated with medium- to long-term forecasts remain. Tesmec's operating sectors will be able to benefit from new investments and development policies aimed at promoting energy transition, sustainable mobility by rail and at strengthening in this sense the key infrastructures of the main countries and the Group's business is concentrated in strategic sectors that are extremely lively and have significant growth prospects. However, these policies are outside the control of the Tesmec Group. For a more complete examination of the main risks and uncertainties to which the Tesmec Group is exposed, please refer to the specific paragraph "8 of the management report".

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

The Weighted Average Cost of Capital (WACC) used for discounting operating cash flows for the explicit period and for calculating the terminal value was determined differently depending on the Country of reference, as detailed in the table below:

	Carrying amount 2023 *(Euro in thousands)*	**Carrying amount 2022** *(Euro in thousands)*	**WACC 31 December 2023**	**WACC 31 December 2022**
Tesmec USA, Inc. (Stati Uniti)	45.709	43.774	13,70%	14,90%
Tesmec Australia (Australia) e	5.585	9.758	11,90%	11,50%

Marais Laying NZ (Nuova Zelanda)				
Tesmec Saudi Arabia (Arabia Saudita)	3.804	5.579	12,00%	15,70%
Consolidato Marais (Francia)	17.360	21.480	12,40%	11,90%
Tesmec Automation S.r.l. (Italia)	21.879	11.724	12,00%	11,30%
4 Service Combined	30.566	17.911	11,90%	11,80%
Tesmec Rail S.r.l. (Italia)	38.068	26.580	12,70%	11,30%
Tesmec SA (Sud Africa)	4.711	5.633	19,00%	18,30%
Tesmec Peninsula WLL (Qatar)	5.276	406	12,40%	12,10%
Tesmec New Technology (Beijing) LTD (Cina)	-292	177	10,10%	10,20%
Condux Tesmec	13.813	12.718	11,60%	10,80%
East Trenchers S.r.l. (Italia)	619	282	11,90%	11,80%
Consolidato Tesmec	231.742	211.741	12,78%	N/D

The estimate of the reference WACC compared with the same estimate made at 31 December 2022 generally highlights a decrease in the discount rates adopted. To estimate the cash flows beyond the explicit forecast period, the terminal value was determined on the basis of a growth rate g from 1% to 5%, based on the reference CGU, in order to incorporate, at least in part, the higher medium-term inflation expectations compared to the previous year.

The impairment test did not reveal any impairment losses.

Moreover, it should be noted that the recoverable amount mainly consists of the discounting back of the cash flows that make up the Terminal Value, i.e. flows associated with periods distant in time whose achievement is marked by a higher risk profile and more exposed to changes in uncontrollable external variables that are different from those expected.
In this context, a sensitivity analysis was carried out to check the change in the equity value of each single cash-generating unit as the discount rate (the weighted average cost of capital, WACC) and the growth rate (g) changed.

As a result of the sensitivity analyses, it is observed that a 2% increase in the WACC would not cause any impairment, just as the adoption of a growth rate g equal to zero would not cause any impairment with the exception of the 4Service Combined CGU for which the adopted sensitivity scenario (1% decrease in g rate and 2% increase in WACC) would determine an impairment equal to approximately Euro 587 thousand, equal to 1.92% of the Net Invested Capital of the CGU and 0.25% of the Capital Consolidated Net Invested. When preparing the interim reports expected for the current financial year, as required by IAS 36, we will verify the existence of impairment indicators which could make it necessary to update the impairment test.

6 Other information

Information pursuant to Italian Law no. 124/2017

Italian Law no. 124 of 4 August 2017 introduced, starting with the 2018 financial statements, certain transparency requirements of persons who receive "subsidies, contributions, paid assignments and, in any case, economic advantages of any kind" from public administrations and from a series of similar subjects with whom they have economic relations.

In view of the fact that this provision raised questions of interpretation and application that are still unresolved, the Group carried out the necessary in-depth studies and, also in the light of the most recent guidelines, considers that the following elements are not part of the legal requirement of publication:

- amounts received as consideration for public works, services and supplies;
- remunerated tasks that are part of the typical business activity of the company;
- the general measures available to all enterprises within the general structure of the reference system defined by the State (for example: ACE);
- selective economic advantages received under an aid scheme, available to all enterprises meeting certain conditions, based on predetermined general criteria (for example: contributions to research and development projects and tax reliefs);
- public resources from public bodies in other countries (European or non-European) and from the European institutions;
- training contributions received from inter-professional funds (for example: Fondimpresa and Fondirigenti); in that they are funds in the form of associations and the legal status of private-law entities, which are financed by contributions paid by the enterprises themselves.

During the financial year, the Group did not receive grants falling within the category of donations and ad hoc public aid, i.e. not granted under a general scheme.

For amounts recognised during the previous financial year, refer to the National State Aid Register.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Non-current assets

7 Intangible assets

The breakdown of *Intangible assets* as at 31 December 2023 and as at 31 December 2022 is indicated in the table below:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. amort.	Net value	Historical cost	Accum. amort.	Net value
Start-up and expansion costs	12	(3)	9	12	-	12
Development costs	83,235	(68,298)	14,937	78,106	(64,431)	13,675
Rights and trademarks	15,135	(10,038)	5,097	16,590	(10,770)	5,820
Other intangible assets	757	(58)	699	78	(47)	31
Goodwill	3,014	-	3,014	3,014	-	3,014
Assets in progress	15,592	-	15,592	9,741	-	9,741
Total intangible assets	**117,745**	**(78,397)**	**39,348**	**137,937**	**(105,644)**	**32,293**

The following table shows the changes in intangible assets for the year ended as at 31 December 2023:

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Amortisation	Exchange rate differences	31 December 2023
Start-up and expansion costs	12	-	-	-	(3)	-	9
Development costs	13,675	2,849	4,867	(17)	(6,418)	(19)	14,937
Rights and trademarks	5,820	953	286	(80)	(1,871)	(11)	5,097
Other intangible assets	31	551	131	(3)	(11)	-	699
Goodwill	3,014	17	-	(17)	-	-	3,014
Assets in progress	9,741	10,998	(5,054)	(93)	-	-	15,592
Total intangible assets	**32,293**	**15,368**	**230**	**(210)**	**(8,303)**	**(30)**	**39,348**

As at 31 December 2023, intangible assets net of amortisation totalled Euro 39,348 thousand, up Euro 7,055 thousand due to the following effects:

- assets in progress of Euro 10,998 thousand relating mainly to development projects in progress. These costs mainly refer to diagnostic projects related to the rail segment, where a new innovative vehicle is being developed;
- development costs, which increased by Euro 2,849 thousand and reclassifications equal to Euro 4,867 thousand, relating to projects which entered into amortization in the current financial year and amortisation for the period of Euro 6,418 thousand. The increases in the period relate to assets in progress that have been completed and amortised.

The recoverability of the item intangible assets, which in total represents 50% of consolidated shareholders' equity, depends on the production of positive cash flows directly attributable to the projects whose costs have been capitalised. These flows are included in the 2023-2028 Business Plan, approved by the Board of Directors on 8 March 2024. Trends that differ from those envisaged in the Business Plan due to internal or external factors beyond the Group's control could result in the need for significant write-downs of intangible fixed assets.

The following table shows the changes in intangible assets for the year ended as at 31 December 2022:

(Euro in thousands)	1 January 2022	Increases due to purchases	Reclassifications	Change in the consolidation area	Decreases	Amortisation	Exchange rate differences	31 December 2022
Start-up and expansion costs	-	12	-	-	-	-	-	12
Development costs	15,451	3,174	1,502	-	-	(6,535)	83	13,675
Rights and trademarks	4,364	2,880	252	3	(269)	(1,407)	(3)	5,820
Other intangible assets	40	-	-	-	(7)	(1)	(1)	31
Goodwill	-	-	-	3,014	-	-	-	3,014
Assets in progress	4,041	7,401	(1,695)	-	(6)	-	-	9,741
Total intangible assets	**23,896**	**13,467**	**59**	**3,017**	**(282)**	**(7,943)**	**79**	**32,293**

8 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2023 and as at 31 December 2022 is indicated in the table below:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	4,393	-	4,393	4,401	-	4,401
Buildings	24,020	(9,661)	14,359	24,380	(9,299)	15,081
Plant and machinery	21,963	(16,575)	5,388	24,344	(18,342)	6,002
Equipment	11,664	(10,471)	1,193	11,697	(10,302)	1,395
Other assets	40,533	(21,977)	18,556	51,774	(30,568)	21,206
Assets in progress	1,191	-	1,192	3,674	-	3,674
Total property, plant and equipment	**103,764**	**(58,684)**	**45,081**	**120,270**	**(68,511)**	**51,759**

The following table shows the changes in property, plant and equipment for the year ended 31 December 2023:

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 December 2023
Land	4,401	-	-	-	-	(8)	4,393
Buildings	15,081	143	-	(29)	(656)	(180)	14,359
Plant and machinery	6,002	1,129	(354)	(56)	(1,315)	(18)	5,388
Equipment	1,395	472	(59)	-	(601)	(14)	1,193
Other assets	21,206	8,852	653	(7,036)	(4,472)	(647)	18,556
Assets in progress	3,674	1,644	(4,119)	(7)	-	-	1,192
Total property, plant and equipment	**51,759**	**12,285**	**(3,879)**	**(7,173)**	**(7,044)**	**(867)**	**45,081**

As at 31 December 2022, property, plant and equipment totalled Euro 45,081 thousand, down compared to the previous year by Euro 6,678 thousand.

The change is mainly due to the decrease in "Other assets" of Euro 2.650 thousand mostly related to the sale of trenching machines previously recorded in the fleet.

The following table shows the changes in property, plant and equipment for the year ended 31 December 2022:

(Euro in thousands)	1 January 2022	Increases due to purchases	Reclassifications	Change in the consolidation area	Decreases	Depreciation	Exchange rate differences	31 December 2022
Land	4,388	-	-	-	-	-	13	4,401
Buildings	15,098	339	1	-	-	(668)	311	15,081
Plant and machinery	3,868	1,319	2,183	-	(415)	(1,013)	60	6,002
Equipment	1,140	505	355	22	(2)	(619)	(6)	1,395
Other assets	21,721	7,252	(1,935)	3,915	(5,883)	(4,692)	828	21,206
Assets in progress	1,392	2,865	(319)	-	(265)	-	1	3,674
Total property, plant and equipment	**47,607**	**12,280**	**285**	**3,937**	**(6,565)**	**(6,992)**	**1,207**	**51,759**

9 Rights of use

The breakdown in *Rights of use* as at 31 December 2023:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	18,402	(11,450)	6,952	18,346	(9,316)	9,030
Plant and machinery - Rights of use	1,729	(144)	1,585	248	(151)	97
Equipment - Rights of use	1,310	(71)	1,239	28	(25)	3
Other assets - Rights of use	28,471	(9,379)	19,092	22,837	(10,028)	12,809
Total rights of use	**49,912**	**(21,044)**	**28,868**	**41,459**	**(19,520)**	**21,939**

The following table shows the changes in rights of use for the year ended 31 December 2023:

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 December 2023
Buildings - rights of use	9,030	792	-	(24)	(2,802)	(44)	6,952
Plant and machinery - rights of use	97	1,631	(43)	-	(99)	(1)	1,585
Equipment - rights of use	3	1,281	-	-	(46)	1	1,239
Other assets - rights of use	12,809	8,658	3,692	(1,399)	(4,659)	(10)	19,092
Total rights of use	**21,939**	**12,362**	**3,649**	**(1,423)**	**(7,606)**	**(54)**	**28,868**

The item rights of use as at 31 December 2023 amounted to Euro 28,868 thousand and increased by Euro 6,929 thousand compared to the previous year in relation to the signing of new lease contracts for the fleet of trenching machines.

The following table shows the changes in rights of use for the year ended 31 December 2022:

(Euro in thousands)	1 January 2022	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 December 2022
Buildings - rights of use	11,170	1,163	-	(520)	(2,775)	(8)	9,030
Plant and machinery - rights of use	266	-	(102)	-	(70)	3	97
Equipment - rights of use	11	-	-	-	(7)	(1)	3
Other assets - rights of use	11,905	6,241	(242)	(796)	(4,298)	(1)	12,809
Total rights of use	**23,352**	**7,404**	**(344)**	**(1,316)**	**(7,150)**	**(7)**	**21,939**

10 Equity investments in associates evaluated using the equity method

The breakdown of equity investments in associates evaluated using the equity method as at 31 December 2023 and 2022 is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Associates:		
Locavert SA	732	707
Subtotal	**732**	**707**
Joint Ventures:		
Condux Tesmec Inc	5,553	4,932
Subtotal	**5,553**	**4,932**
Total Equity investments in associates evaluated using the equity method	**6,285**	**5,639**

Following the application of the equity method to investments - accounting standard adopted by the Group on Joint Ventures - the margin achieved by Tesmec S.p.A. on the machines sold to them and not yet transferred to third-party customers as at 31 December 2023 was reversed against the value of the investment (if not sufficient, by creating a relevant covering provision).

The main financial statement items of associates and Joint Ventures are summarised below:

	31 December 2023							
(Euro in thousands)	**% held**	**Revenues**	**Net result**	**Assets**	**Liabilities**	**Shareholders ' Equity**	**Equity investment value in the Consolidated Financial Statements**	**Value of provision for risks due to losses**
Associates:								
Locavert SA	38.63%	405	2	989	258	732	732	-
Joint Ventures:								
Condux Tesmec Inc.	50.00%	8,814	941	9,647	3,861	5,786	5,553	-
Marais Lucas Technologies Pty Ltd.	50.00%	-	-	176	1,936	(1,760)	-	1,824

No indicators of impairment were identified with reference to equity investments measured using the equity method.

11 Financial receivables and other non-current financial assets

The following table sets forth the breakdown of financial receivables and other non-current assets as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Guarantee deposits	643	100
Financial receivables from third parties	11,015	10,449
Total financial receivables and other non-current financial assets	**11,658**	**10,549**

The item *Financial receivables from third parties* increased by Euro 1,109 thousand compared to the previous financial year and is mainly related to the recognition of financial receivables generated by sales of trenching machines with extended terms and which provide for the accrual of interest income.

Financial receivables from third parties are shown net of a write-down of Euro 470 thousand due to the partial write-down of certain receivables from certain counterparties in the trencher segment operating in countries in the African area, whose positions had been the subject matter in previous years of the definition of financially onerous payment plans that were not fully or partially fulfilled. The residual balance of the financial positions related to these cases, net of the recognised write-downs, amounted to Euro 1,149 thousand, which increased compared to the previous year due to a new payment plan negotiated in 2023 and fulfilled to date. In this regard, actions are always underway to recover various outstanding receivables as well as - more generally - to monitor the Group's exposure to this type of counterparty.

Current assets

12 Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 31 December 2023 and as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Work in progress (Gross)	65,583	59,017
Advances from contractors	(36,336)	(34,044)
Work in progress contracts	**29,247**	**24,973**

"Work in progress" refers both to the Rail segment and the Energy segment where the machinery is produced in accordance with specific customer requirements.
"Work in progress" is recognised as an asset if, on the basis of an analysis carried out for each contract, the gross value of work in progress is greater than advances from customers; it is recognised as a liability if the advances are greater than the related work in progress. If the advances are not collected at the reporting date, the corresponding amount is recognised as trade receivables.
The increase compared to the corresponding value of the previous year reflects the normal trend of the management of working capital in the Rail and Energy segments subject to trends related to the specific management of individual sales orders.

13 Inventories

The following table provides a breakdown of *Inventories* as at 31 December 2023 compared to 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Raw materials and consumables	77,852	69,686
Work in progress	8,409	9,663
Finished products and goods for resale	19,753	20,096
Advances to suppliers for assets	4,607	1,966
Total inventories	**110,621**	**101,411**

The measurement criteria of inventories with regard to raw materials and consumables, work in progress, finished products and goods for resale remained unchanged compared to the prior financial year.
In total, inventories increased by 9.1%, or Euro 9,210 thousand, due to a greater use of procurement, also to manage potential supply chain rigidity and to support the current and future growth of the business.

The changes in the provisions for inventory obsolescence for the years ended 31 December 2023 and 2022 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Value as at 1 January	7,708	6,646
Provisions	970	974
Uses	(491)	-
Exchange rate differences	(92)	88
Total provisions for inventory obsolescence	**8,095**	**7,708**

The value of the provision for inventory obsolescence also increases as a result of the increase in inventories.
The adequacy of the provision is assessed on a regular basis to constantly monitor the actual level of inventories recovered through sales.

14 Trade receivables

The table below shows the breakdown of trade receivables as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Trade receivables from third-party customers	42,717	54,202
Trade receivables from related parties	2,926	2,027
Total trade receivables	**45,643**	**56,229**

For terms and conditions relating to receivables from related parties, refer to paragraph 41.

Trade receivables as at 31 December 2023 amounted to Euro 45,643 thousand, down by Euro 10,586 thousand compared to the 2022 financial year.

The balance of trade receivables is shown net of provisions for doubtful accounts. This provision was calculated in an analytical manner by dividing the receivables in classes depending on the level of customer and country risk and by applying to each class an expected percentage of loss derived from historical experience, considered representative for the purposes of the forward-looking assessment of losses on receivables, in line with the treatment of Expected Credit Losses for IFRS 9.

The changes in the provisions for doubtful accounts for the financial years ended 31 December 2023 and 2022 are indicated in the table below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Value as at 1 January	5,875	3,754
Change in the consolidation area	-	468
Increases	4,562	-
Provisions	806	1,247
Uses	(544)	(460)
Reclassifications	(899)	818
Exchange rate differences	(55)	48
Total provisions for doubtful accounts	**9,745**	**5,875**

Provisions and uses related to the provisions for doubtful accounts are included in "other operating (costs)/revenues, net" of the income statement.
The increases refer to the prudential write-down of revenues by work order of the same amount relating to the subsidiary Tesmec Australia Pty (Ltd.), for which a settlement is currently being negotiated with the counterparty and is expected to be finalised during 2024.

15 Tax receivables

The following table sets forth the breakdown of tax receivables as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
IRAP receivables	523	321
IRES receivables	1,054	299
Other direct income taxes	1,602	1,792
Total tax receivables	**3,179**	**2,412**

The item *tax receivables* increased compared to the previous financial year of Euro 767 thousand mainly due to the increase in direct taxes of foreign subsidiaries.

16 Financial receivables and other current financial assets

The following table sets forth the breakdown of financial receivables and other current financial assets as at 31 December 2023 and 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Financial receivables from related parties	2,605	2,596
Financial receivables from third parties	25,212	14,496
Other current financial assets	71	71
Total financial receivables and other current financial assets	**27,888**	**17,163**

The increase in *current financial assets* from Euro 17,163 thousand to Euro 27,888 thousand is mainly due to the increase in tax receivables from third parties.

Financial receivables from third parties mainly concern counterparties in the trencher segment operating abroad and some counterparties in the *rail* segment operating in Italy.

Financial receivables from related parties mainly include receivables from Joint Venture Condux Tesmec Inc. of Euro 1,734 thousand and Marais Lucas of Euro 794 thousand.

17 Other current assets

The following table sets forth the breakdown of other current assets as at 31 December 2023 and as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Prepaid expenses	4,699	3,399
VAT credit	2,286	4,294
Other receivables	1,788	1,388
Advance to suppliers for services	2,779	1,621
Other tax receivables	1,451	1,550
Total other current assets	**13,003**	**12,252**

Other current assets were considered receivable and therefore were not subject to value adjustment.
Other tax receivables include the tax credit recognised for significant research and development expenses incurred by the Group in both Italy and France. In particular, with reference to the tax credit on Research and Development activities in Italy, this is recorded on the basis of the provisions of the 2017 Budget Law (Italian Law no. 232/16) which changed the regulations of the tax benefit, introduced by the "Destination Italy" Decree (Italian Law Decree no. 145/2013) as amended by Italian 2015 Stability Law (Italian Law no. 190/2014).

18 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2023 and as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Bank and post office deposits	53,538	50,256
Cash on hand	31	716
Other cash	111	15
Total cash and cash equivalents	**53,680**	**50,987**

Cash and cash equivalents are deposited in current deposits and they are remunerated at a floating rate related to the Euribor trend. The balance as at 31 December 2023 amounted to Euro 53,680 thousand and increased by Euro 2,693 thousand.
The stated values are subject to a non-significant risk of change in value. The book value of cash and cash equivalents is deemed to be aligned to their fair value at the end of the reporting year.
The Group believes that the credit risk related to cash and cash equivalents is limited since it mainly represents deposits divided across domestic and international banking institutions.

19 Shareholders' equity

Share capital and reserves

The *Share capital* amounts to Euro 15,702 thousand, fully paid up, and comprises 606,460,200 shares without par value.

The following table sets forth the breakdown of Other reserves as at 31 December 2023 and as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Revaluation reserve	86	86
Extraordinary reserve	36,292	36,292
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(262)	(112)
Network reserve	825	825
Other reserves	(14,836)	(22,198)
Total other reserves	**21,614**	**14,402**

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

The value of translation difference has a negative impact on Shareholders' Equity of Euro 1,185 thousand as at 31 December 2023.

As a result of the resolution of 20 April 2023, with the approval of the 2022 financial statements, the Shareholders' Meeting decided to carry forward the profit for the year of the Parent Company of Euro 3,927 thousand and allocate it to the legal reserve of Euro 207 thousand.

Non-current liabilities

20 Medium/long-term loans

Medium/long-term loans include medium/long-term loans from banks and payables towards other providers of finance. The following table shows the breakdown thereof as at 31 December 2023 and as at 31 December 2022, with separate disclosure of total loans and current portion:

	31 December			
(Euro in thousands)	**2023**	**of which current portion**	**2022**	**of which current portion**
Domestic fixed-rate bank loans	30,911	9,568	38,808	10,677
Domestic floating-rate bank loans	68,877	22,931	62,314	17,520
Foreign fixed-rate bank loans	1,128	249	1,379	428
Foreign floating-rate bank loans	21,177	3,955	16,027	3,491
Shareholder loan	2,099	200	3,263	3,263
Total medium/long-term loans	**124,192**	**36,903**	**121,791**	**35,379**
less current portion	(36,903)		(35,379)	
Non-current portion of medium/long-term loans	**87,289**		**86,412**	

Medium/long-term loan due to Simest	4,718	-	6,118	1,400
less current portion	-		(1,400)	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**92,007**	**36,903**	**91,130**	**36,779**

Some loan contracts, the residual value of which at the end of the reporting year amounted to Euro 64.9 million, contain financial covenant provisions. In particular, they require that parameters, calculated on the basis of the financial statements of the Group, have to be met; they are verified on an annual basis and their non-compliance could result in the termination of the benefit of the time limit.

In general, covenants are based on compliance with certain levels, which differ between loan agreements, of the following ratios:

- Net Financial Position/EBITDA;
- Net Financial Position/Shareholders' equity;

Moreover, the loan agreement of the subsidiary Tesmec USA, Inc. provides for financial covenants to be calculated quarterly on the combined financial statements of the Group's US subsidiaries; the loan agreement of the subsidiary Marais Laying New Zealand (Pty) Ltd. provides for financial covenants to be calculated quarterly on the local financial statement data.

As a result of the reclassification as financial expenses, with effect from 2023, of the costs incurred with banks to issue the guarantees required for the performance of long-term work order contracts, which were previously reported as cost for services, the ratio of Net financial indebtedness to EBITDA decreased by approximately 4%.

At the date of the reporting period, the covenants in force were complied with, also taking into account the above, with the exception of the covenant relating to the New Zealand subsidiary (debt as at 31 December 2023 of Euro 524 thousand), for which the corresponding waiver has already been obtained from the lending bank before the end of the 2023 financial year.

Prospectively, the Directors verified the Company's and the Group's ability to meet their obligations in the foreseeable future of at least 12 months and, in particular, the ability to comply, also for 2024, with the covenants related to the most relevant loans subject to this verification, developing for this purpose alternative forecast scenarios to take into account the effects of possible slowdowns in business compared to what is envisaged in the plan, due to the current macroeconomic context of volatility and uncertainty of the countries in which the Group operates. As a result of this analysis, the Directors concluded that there are no significant uncertainties regarding compliance with the covenants under review and, consequently, the company's ability to continue as a going concern. Trends differing from company forecasts could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with these covenants.

The payable to Simest S.p.A. of Euro 4,718 thousand consists of the amount relative to the capital shares held by Simest S.p.A. in the subsidiaries in Tesmec SA Ltd. (Pty) and Tesmec Australia (Pty) Ltd, which, by virtue of Tesmec's obligation to repurchase the corresponding shares at the expiry of the contract, are treated as a loan. For accounting purposes, the respective equity investments are 100% consolidated.

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

The table below shows the figures relevant to the Company's outstanding loans as at 31 December 2023, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Residual value as at 31 December 2023	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	30,911	9,568	18,265	3,078
Domestic floating-rate bank loans	68,877	22,931	45,746	200
Foreign fixed-rate bank loans	1,128	249	879	-
Foreign floating-rate bank loans	21,177	3,955	8,925	8,297
Shareholder loan	2,099	200	1,899	-
Total	**124,192**	**36,903**	**75,714**	**11,575**

The shareholder loan was a transaction of greater importance and therefore approved by the Company's Control and Risk, Sustainability and Related Party Transactions Committee. This is a shareholder loan, renewed during 2023, with a duration of 36 months and bearing interest at an annual rate of 2%. As at 31 December 2023, the residual amount was Euro 2,099 thousand.

Net financial indebtedness

In accordance with 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 no. 5/21 of 29 April 2021, note that the Group's net financial indebtedness is as follows:

	31 December			
(Euro in thousands)	**2023**	***of which with related parties and group***	**2022**	***of which with related parties and group***
Cash and cash equivalents	(53,680)		(50,987)	
Current financial assets	(27,888)	*(2,605)*	(17,163)	*(2,596)*
Current financial liabilities	103,811	*1,081*	80,086	*4,144*
Current financial liabilities from rights of use	9,398	-	7,280	-
Current portion of derivative financial instruments	-		-	
Current financial indebtedness	**31,641**	***(1,524)***	**19,216**	***1,548***
Non-current financial liabilities	92,007	*1,899*	92,376	-
Non-current financial liabilities from rights of use	29,849		16,772	
Non-current portion of derivative financial instruments	-		-	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	**121,856**	***1,899***	**109,148**	**-**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**153,497**	***375***	**128,364**	***1,548***
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	**153,497**	***375***	**128,364**	***1,548***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2023, is equal to Euro 114,250 thousand with an increase of Euro 9,938 thousand compared to the end of 2022.

The net financial indebtedness as at 31 December 2023 increased by Euro 25,133 thousand compared to the end of 2022 (19.6%). This change is mainly due to the increase in net working capital of Euro 6,204 thousand and to leasing operations put in place on its own fleet, in particular used vehicles, of Euro 15,195 thousand.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 12,425 thousand due to the:
  - increase in cash and cash equivalents and current financial assets of Euro 13,418 thousand;
  - increase in current financial liabilities of Euro 25,843 thousand mainly due to the short-term reclassification to short-term of the portions to be reimbursed in 2024;
- increase in medium/long-term financial indebtedness of Euro 12,708 thousand relating to new leasing operations put in place on its own fleet, net of the short-term reclassification mentioned in the previous point.

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. Pursuant to the aforementioned ESMA guidelines, it should be noted that the amounts relating to reverse factoring not included in the statement on indebtedness, in that the deferment is part of the Group's normal practice, amount to Euro 6,122 thousand (Euro 7,742 thousand as at 31 December 2022).

21 Non-current bond issue

The item related to the non-current bond issue decreased by Euro 1,246 thousand as a result of the reclassification in the short term of the portion to be repaid during 2024 of the "Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment, and since the two-year pre-amortisation period has ended, the five-year amortisation plan is in progress and as at 31 December 2023 the residual debt is Euro 1,246 thousand.

The financial covenants relating to the bond issue have been met. Any failure to comply with these covenants, which in previous years had resulted in the step-up of the interest rate applied, would have no further effect on the outstanding bond issue.

22 Financial liabilities from rights of use

The item *Financial liabilities from rights of use* refers to the accounting required by IFRS 16 of the loan due to counterparties of the lease contracts as from 1 January 2019. The following table sets forth the breakdown of the items as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2,022**
Non-current financial liabilities from rights of use	29,849	16,772
Current financial liabilities from rights of use	9,398	7,280
Total financial liabilities from rights of use	**39,247**	**24,052**

The balance of financial liabilities from rights of use as at 31 December 2023 amounted to Euro 39,247 thousand and increased by Euro 15,195 thousand compared to the previous year following the signing of new lease contracts relating to trencher machines.

23 Derivative financial instruments

The Group signed some contracts related to derivative financial instruments whose contractual characteristics and related fair value as at 31 December 2023 and 2022 are shown in the table below:

Counterparties	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal	Fair Value (Euro/000) as at 31 December	
							2023	**2022**
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01 February 2019	30 June 2025	428,571	12	31
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01 July 2020	30 June 2025	1,578,947	45	113
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18 May 2020	31 March 2025	4,166,666	113	298
INTESA	IRS	Fixed interest rate -0.18%	3-month Euribor	20 July 2021	30 June 2027	3,181,818	165	311
Assets for derivative instruments within the financial year							-	-
Assets for derivative instruments beyond the financial year							**335**	**753**
Liabilities for derivative instruments within the financial year							-	-
Liabilities for derivative instruments beyond the financial year							-	-

The Group uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The transactions for interest-rate risk hedging are limited to medium to long-term loans.
The Group does not account for these financial instruments according to the methods established for hedge accounting since they do not meet all the requirements provided on this matter by the international accounting standards. Therefore, the changes in fair value of the financial instruments are attributed to the income statement during the financial year under review.

The financial management of the Group does not envisage the trading of derivative instruments with speculative purposes.

24 Employee benefit liability

The Group has no defined benefit pension plans in the strict sense. However, the severance indemnity fund allocated by the Parent Company and Italian subsidiaries required by Article 2120 of the Italian Civil Code, in terms of recognition in the financial statements, falls under this type and as such was accounted for, as shown in the applied accounting policies.
The following table shows the changes for the year ended 31 December 2023 and 31 December 2022 of employee benefits:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Present value of the liability at the beginning of the period	3,958	4,564
Financial expense	124	40
Benefits accrued	189	348
Benefits paid	(358)	(449)
Loss (profit)	197	(545)
Present value of the liability at the end of the period	**4,110**	**3,958**

With the adoption of the IFRS, the severance indemnity is considered a defined-benefit liability to be accounted for in accordance with IAS 19 and, as a result, the relevant liability is measured based on actuarial techniques.
The main assumptions used in determining the present value of the severance indemnity are shown below:

Economic and financial technical bases

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Annual discount rate	3.20%	3.70%
Inflation rate	2.50%	2.50%
Total annual salary increase rate	3.30%	3.30%

The sensitivity analyses are shown below by using an annual discount rate of +0.5% and -0.5% compared to the annual discount rate used on the valuation date.

	Discount rate	
(Euro in thousands)	**0.50%**	**-0.50%**
Effect on the aggregate current cost of the service and of the financial expenses	136	109
Reported value for liabilities with respect to defined benefit plans	3,670	4,032

Technical and demographic bases

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Mortality	2004 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Retirement age	67 N/F	67 N/F

Frequency of turnover and advances on severance indemnity

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Advance frequency %	1.53%	1.35%
Turnover frequency %	6.10%	18.00%

Current liabilities

25 Interest-bearing financial payables (current portion)

The following table sets forth the breakdown of *Interest-bearing financial payables (current portion)* for the 2023 financial year and the financial year as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Advances from banks against invoices and bills receivables	54,149	32,053
Payables due to factoring companies	10,448	6,295
Current account overdrafts	138	8
Financial payables due to SIMEST	-	1,400
Short-term loans to third parties	44	353
Current portion of medium/long-term loans	36,705	32,116
Financial payables to related parties	1,081	4,144
Total interest-bearing financial payables (current portion)	**102,565**	**76,369**

Interest-bearing financial payables (current portion) increased by Euro 26,196 thousand, mainly due a greater use of the export advance lines of Euro 22,096 thousand and the increase in the current portion of medium/long-term loans of Euro 4,589 due to the short-term reclassification of the portions to be repaid in 2023.
Payables due to factoring companies include both advances received for transfers with recourse of the Group's trade receivables and payables arising from supplies received and transferred using reverse factoring, the deferral conditions of which determine the representation of a financial liability.

26 Current bond issue

The item related to the current bond issue amounts to Euro 1,246 thousand and is related to the short-term portion of the "Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment.

27 Trade payables

The breakdown of *Trade payables* as at 31 December 2023 and as at 31 December 2022, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Trade payables due to third-parties	81,602	73,001
Trade payables due to related parties	1,240	1,177
Total trade payables	**82,842**	**74,178**

Trade payables as at 31 December 2023 increased by Euro 8,664 thousand, 11.7% compared to the previous financial year as a result of a greater procurement in the last part of the year.
This figure includes payables related to the Group's normal course of business, in particular the purchase of raw materials and outsourced works.
This item also includes payables originating from supplies received and sold in accordance with the reverse factor that maintain commercial deferment conditions.
Note also that there are no payables with maturity exceeding five years at the above dates.

28 Income taxes payable

The breakdown of *Income taxes payable* as at 31 December 2023 and as at 31 December 2022, respectively, is indicated in the table below:

(Euro in thousands)	31 December 2023	2022
Current IRES tax liabilities	2,031	2,695
Current IRAP tax liabilities	786	892
Current USA tax liabilities	66	-
Other current taxes	168	834
Total income taxes payable	**3,051**	**4,421**

IRES and IRAP tax liabilities as at 31 December 2023 include the net payable due by the Group to the Italian Tax authority for the payment of direct income taxes. *Other current taxes* include payables for direct taxes due to foreign tax authorities.

29 Provisions for risks and charges

Provisions for risks and charges refer in part to provision for the product guarantee fund, in part to the adjustment of the value of consolidated investments by using the equity method and in part against the risks related to certain ongoing disputes. With reference to the guarantee fund, the calculation is based on a historical, statistical and technical analysis of the interventions under guarantee carried out on sales in prior financial years and includes both the cost of labour and that for spare parts used.
Changes in the item as at 31 December 2023 and as at 31 December 2022 are indicated below:

(Euro in thousands)	Financial year ended 31 December 2023	2022
Value as at 1 January	3,759	3,171
Provisions	387	789
Reclassifications	(64)	(43)
Uses	(1,230)	(168)
Exchange rate differences	(15)	10
Value as at 31 December	**2,837**	**3,759**

During the year, the provision was mainly used to cover the work under warranty carried out by Group technicians, while the provision for the period is also related to the allocations to cover some outstanding disputes.
The main ongoing disputes are described in note 44 Legal and tax disputes below.

30 Other current liabilities

The following table sets forth the breakdown of *other current liabilities* as at 31 December 2023 and as at 31 December 2022:

(Euro in thousands)	Financial year ended 31 December 2023	2022
Due to social security	1,964	2,139
Due to INAIL (National Insurance Institute for Industrial Accidents)	455	397
Due to trade funds	(120)	95
Due to employees and collaborators	4,411	4,157
Guarantee deposits payable	-	155
VAT debit	2,541	1,351
Due to others	1,156	582
Accrued expenses and liabilities	11,200	11,561
Other current taxes	1,910	1,277
Total other current liabilities	**23,517**	**21,714**

Other current liabilities increased compared to the prior financial year of Euro 1,803 thousand and mainly refer to the increase in *VAT Debit* of Euro 1,190 thousand. This item includes certain past due pension liabilities that were settled after the reporting year.

31 Taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2023 and as at 31 December 2022:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Deferred tax assets	21,939	16,349
Deferred tax liabilities	7,830	7,199

The breakdown of net deferred taxes as at 31 December 2023 and 2022 is shown in the following table by type by listing the items that present underlying temporary differences:

	31 December		31 December		Financial year ended 31 December	
	Statement of financial position		Shareholders' equity		Income statement	
(Euro in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Deferred tax assets						
Right of use translational leases	13	-		-	13	
Obsolescence fund	1,810	1,649	150	1	11	114
Provisions for future risks and charges	322	311	65	55	(54)	(41)
Unrealised exchange-rate losses	4,944	3,686	19	(27)	1,239	1,167
Tax effect on UCC gain reversals	20	32	-	-	(12)	(11)
Tax effect on inter-company margin adjustments	3,468	2,269	299	(1)	900	349
Tax losses carried forward	6,272	5,865	(234)	1,132	641	(2,397)
Other temporary differences	5,090	2,537	187	(1,122)	2,366	1,291
Total deferred tax assets	**21,939**	**16,349**	**486**	**38**	**5,104**	**472**
Deferred tax liabilities						
Unrealised exchange rate gains	(5,032)	(4,547)	-	-	(485)	(1,390)
Difference of value USA building	(132)	(140)	3	(5)	5	5
Capitalisation of Development costs Tesmec USA	(96)	(256)	120	(75)	40	75
Deferred tax liabilities Tesmec USA	(188)	(241)	53	-	-	
Profits allocated to network reserve	(218)	(218)	-	-	-	
Tax effect on inter-company margin adjustments	(20)	(52)	7	-	25	28
Deferred tax liabilities of Group Marais	(1,027)	(1,513)	(1)	-	487	200
Other temporary differences	(1,117)	(232)	(915)	(50)	30	720
Total deferred tax liabilities	**(7,830)**	**(7,199)**	**(733)**	**(130)**	**102**	**(362)**
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	**14,109**					
Represented in the income statement as follows:						
Deferred tax assets	**5,104**					
Deferred tax liabilities	**102**					
Deferred tax liabilities, net	**5,206**					

The possibility of recovering taxes is subject to the availability of future taxable income over the time horizon used by the Directors in formulating the 2024-2028 Business Plan on the basis of the best information available at the date of approval of the financial statements, as well as in accordance with the tax rules applicable in the countries where temporary differences and tax losses are identified.

In 2023, the Group recognised additional net deferred tax assets of Euro 5,590 thousand, of which Euro 5,184 thousand related to temporary differences arising in the subsidiaries operating in Italy, the United States and France, and Euro 906 thousand related to tax losses recognised in the year by the subsidiary operating in New Zealand.
The Directors is of the opinion that the production of taxable income by the Group entities affected by the recognition of deferred tax assets, which in total represent 28% of consolidated shareholders' equity, during the explicit forecast

period of the 2024-2028 Business Plan, is to be considered probable, as required by IAS 12. Trends that differ from those envisaged in the Business Plan due to internal or external factors beyond the Group's control could result in the need for significant write-downs of deferred tax assets.

Current taxation

Profit before taxes and the allocation for income taxes for the financial years as at 31 December 2023 and 2022 are summarised below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Consolidated pre-tax profit/(loss)	**(4,593)**	**11,612**
Current taxation:		
Italy	(2,973)	(3,678)
USA	(17)	(8)
Rest of the world	(321)	(120)
Deferred tax (liabilities)/assets		
Italy	2,548	(833)
USA	380	406
Rest of the world	2,278	537
Total Income taxes	**1,895**	**(3,696)**

The reconciliation between the nominal tax rate established by the Italian legislation and the effective tax rate resulting from the consolidated financial statements is set below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Profit before tax	**(4,593)**	**11,612**
IRES tax rate in force during the year	24.00%	24.00%
Theoretical tax charge	**1,102**	**(2,787)**
IRAP	**(786)**	**(892)**
Permanent tax differences	787	893
Effect of different tax rate for foreign companies	792	(910)
Total difference	**1,579**	**(17)**
Total tax charge as per income statement	**1,895**	**(3,696)**

Comments to the main items in the income statement

32 Revenues from sales and services

In the 2023 and 2022 financial years, revenues from sales and services amounted to Euro 251,917 thousand and Euro 245,245 thousand, respectively. The breakdown is set below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Sales of products	196,066	154,638
Services rendered	49,410	62,660
Changes in work in progress	6,441	27,947
Total revenues from sales and services	**251,917**	**245,245**

In 2023, the Group achieved total revenues of Euro 251,917 thousand compared to Euro 245,245 thousand in 2022, recording an increase of 2.7%. This result is the combined effect of different trends in the three segments:

- Energy: with regard to the Energy segment, revenues amounted to Euro 67,745 thousand, increasing by 16.4% compared to the figure of Euro 58,195 thousand as at 31 December 2022. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 42,922 thousand, compared to Euro 37,783 thousand as at 31 December 2022 (+13.6%). The Energy-Automation segment achieved revenues of Euro 24,823 thousand, compared to Euro 20,412 thousand as at 31 December 2022.

- Trencher: revenues of the Trencher segment amounted to Euro 137,285 thousand, increasing by 2.4% compared to Euro 134,049 thousand as at 31 December 2022. This increase was impacted by both a negative exchange rate effect of approximately one and a half percentage points of sales and the aforementioned slowdown in sales activities in the second half of the year.

- Rail: the Rail segment recorded revenues of Euro 46,887 thousand, down 11.5% from Euro 53,001 thousand recorded as at 31 December 2022 due to the gradual completion of older work orders and a delay in obtaining new ones, but in a context of positive expectations for 2024.

33 Cost of raw materials and consumables

For the financial years as at 31 December 2023 and 31 December 2022, cost of raw materials and consumables amounted to Euro 108,771 thousand and Euro 97,441 thousand, respectively.
The breakdown of the item is as in the following table:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Cost for the purchase of raw materials and consumables	116,699	112,174
Change in inventories	(7,928)	(14,733)
Total cost of raw materials and consumables	**108,771**	**97,441**

Cost *of raw materials and consumables* increased by Euro 11,330 thousand (11.6%) more than the increase in sales volumes (2.7%).

34 Costs for services

The table below shows the breakdown of *costs for services* that amounted in 2023 and in 2022 to Euro 52,211 thousand and Euro 52,839 thousand, respectively.

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022 reclassified**
Transport, customs and incidental expenses	10,885	10,389
Outsourced work service	8,772	9,429
External production services	705	1,388
Services for legal, tax, technical and other consultancy	14,377	14,274
Banking services	1,150	910
Insurance	2,013	1,581
Energy, water, gas, telephone expenses and postage	1,848	2,918
Board and lodging expenses and travelling allowance	4,918	4,281
Directors' and Auditors' fees	1,043	992
Advertising and other selling expenses	1,020	1,099
Maintenance services	1,206	1,586
Commissions and additional expenses	1,427	1,528
Other general expenses	2,847	2,464
Total costs for services	**52,211**	**52,839**

The turnover being equal, there was a general reduction in some cost categories as a result of a careful cost containment policy.

35 Payroll costs

During the financial years ended 31 December 2023 and 31 December 2022, payroll costs amounted to Euro 63,330 thousand and Euro 60,701 thousand, respectively, up by 4.3%.

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Wages and salaries	50,214	48,332
Social security charges	9,770	9,089
Employee severance indemnity	1,741	1,481
Other personnel costs	1,605	1,799
Total payroll costs	**63,330**	**60,701**

36 Other operating (costs)/revenues, net

During the financial years ended 31 December 2023 and 31 December 2022, *other operating (costs)/revenues, net* amounted to Euro 8,022 thousand and Euro 8,101 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Provisions for risks and other provisions	1,017	1,974
Rents	4,113	3,555
Hiring	2,938	1,948
Other lease and rental expenses	-	438
Sundry taxes	1,027	1,257
Other revenues	(4,003)	(4,215)
Other	2,930	3,144
Total other operating revenues, net	**8,022**	**8,101**

Other operating (costs)/revenues, net decreased by Euro 79 thousand compared to the previous financial year.

Other revenues include the value of the benefit of the tax credit for 2023 of Euro 368 thousand compared to Euro 799 thousand for 2022, other types of contributions received from government entities of Euro 1,345 thousand.

The item provisions for risks and other provisions of Euro 1,017 thousand includes the provision to the allowance for short-term doubtful receivables of Euro 806 thousand and the provision for risks amounting to Euro 211 thousand.

The item *Other* decreased by Euro 214 thousand and mainly refers to the cost of software licences for the new ERP management system.

37 Amortisation and depreciation

During the financial years ended 31 December 2023 and 31 December 2022, depreciation and amortisation amounted to Euro 22,953 thousand and Euro 22,085 thousand, respectively, with a 3.9% increase.
The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Amortisation of intangible assets	8,303	7,943
Depreciation of property, plant and equipment	7,044	6,992
Depreciation of right of use	7,606	7,150
Total amortisation and depreciation	**22,953**	**22,085**

38 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2023 and 31 December 2022 amounted to Euro 13,491 thousand and Euro 10,806 thousand, respectively.
The Group continued to develop projects to launch new models and new functionalities of its products requested by the markets, in particular in the field of rail diagnostics, where a new innovative vehicle is being developed, and in the development of a new range of trencher machines with hybrid or electric propulsion, in order to maintain its leading position in the segment.

39 Financial expenses

During the financial years ended 31 December 2023 and 31 December 2022, *financial expenses* amounted to Euro 20,895 thousand and Euro 16,466 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022 reclassified**
Bank interest expenses	497	269
Interests payable for factoring and billing discounts	2,077	1,476
Interests payable on interest-bearing medium/long-term loans and borrowings	7,421	4,556
Interests payable on advance loans on exports	1,865	503
Other sundry financial expenses	1,255	950
Financial expenses on rights of use	1,126	959
Realised foreign exchange losses	1,266	731
Unrealised foreign exchange losses	4,970	7,796
Provision for risks on financial receivables	-	170
Fair value adjustment of derivative instruments	418	-
Total financial expenses	**20,895**	**17,410**

Financial expenses increased by Euro 3.482 thousand compared to the previous financial year, mainly due to realised and unrealised exchange losses that amounted to Euro 6,236 thousand compared to Euro 8,527 thousand in the previous financial year as well as the partial write-down of certain financial receivables.
Moreover, starting from the preparation of these consolidated financial statements, the Group recognised as financial expenses the costs incurred with credit institutions for the issue of guarantees required for the performance of multi-year work orders, previously shown as costs for services, as the Group believes that this classification better represents the economic substance of the case, which is the financial commitment made by the Group for the completion of work orders in progress. To make the data more comparable, the corresponding values for 2022 have also been reclassified using the same criteria.
This reclassification resulted in lower operating costs of Euro 1,226 thousand and corresponding higher financial expenses.
In order to allow for better comparability of the data, it should be noted that the corresponding value of the previous year was equal to Euro 944 thousand.

40 Financial income

During the financial years ended 31 December 2023 and 2022, financial income amounted to Euro 5,248 thousand and Euro 14,915 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Interests from banks	126	13
Realised foreign exchange gains	590	2,192
Unrealised foreign exchange gains	3,333	10,497
Fair value adjustment of derivative instruments	-	842
Sundry financial income	415	270
Interest income from customers	784	1,101
Total financial income	**5,248**	**14,915**

Financial income decreased by Euro 9,667 thousand compared to the previous financial year mainly due to lower realised and unrealised foreign exchange gains totalling Euro 8,766 thousand.

41 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);
- The Trencher segment also includes the excavation services for power lines and fibre optic cables that constitute the core business of Marais Group.

Rail segment

- Works vehicles and integrated solutions for the installation, renewal and maintenance of the railway catenary wire system.
- Vehicles and diagnostic systems for rail infrastructure diagnostics.

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

	31 December									
	2023					2022				
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible assets	14,942	11,165	13,241	-	39,348	11,612	10,143	10,538	-	32,293
Property, plant and equipment	3,413	31,610	10,058	-	45,081	3,148	38,731	9,880	-	51,759
Rights of use	788	27,425	655	-	28,868	660	20,591	688	-	21,939
Financial assets	5,557	9,032	3,729	-	18,318	4,935	2,545	5,208	4,281	16,969
Other non-current assets	1,212	23,222	797	-	25,231	1,693	7,528	639	9,447	19,307
Total non-current assets	**25,912**	**102,454**	**28,480**	**-**	**156,846**	**22,048**	**79,538**	**26,953**	**13,728**	**142,267**
Work in progress contracts	4,462	-	24,785	-	29,247	2,908	-	22,065	-	24,973
Inventories	26,451	68,581	15,589	-	110,621	24,903	68,744	7,764	-	101,411
Trade receivables	8,484	29,527	7,632	-	45,643	9,270	37,700	9,259	-	56,229
Other current assets	2,729	32,668	8,673	-	44,070	1,646	9,021	10,436	10,724	31,827
Cash and cash equivalents	5,562	37,983	5,589	4,546	53,680	3,947	8,685	14,227	24,128	50,987
Total current assets	**47,688**	**168,759**	**62,268**	**4,546**	**283,261**	**42,674**	**124,150**	**63,751**	**34,852**	**265,427**
Total assets	**73,600**	**271,213**	**90,748**	**4,546**	**440,107**	**64,722**	**203,688**	**90,704**	**48,580**	**407,694**
Shareholders' equity attributable to Parent Company shareholders	**-**	**-**	**-**	**75,701**	**75,701**	**-**	**-**	**-**	**80,854**	**80,854**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**2,543**	**2,543**	**-**	**-**	**-**	**2,523**	**2,523**
Non-current liabilities	**2,642**	**36,763**	**11,533**	**82,858**	**133,796**	**2,536**	**17,760**	**11,474**	**88,535**	**120,305**
Current financial liabilities	14,564	4,197	13,548	71,502	103,811	3,158	5,397	13,950	57,581	80,086
Current financial liabilities from rights of use	234	6,249	151	2,764	9,398	263	4,210	142	2,665	7,280
Trade payables	27,605	39,481	15,756	-	82,842	21,760	39,611	12,807	-	74,178
Other current liabilities	1,295	19,061	11,660	-	32,016	1,662	8,668	18,613	13,525	42,468
Total current liabilities	**43,698**	**68,988**	**41,115**	**74,266**	**228,067**	**26,843**	**57,886**	**45,512**	**73,771**	**204,012**
Total liabilities	**46,340**	**105,751**	**52,648**	**157,124**	**361,863**	**29,379**	**75,646**	**56,986**	**162,306**	**324,317**

Total shareholders' equity and liabilities	**46,340**	**105,751**	**52,648**	**235,368**	**440,107**	**29,379**	**75,646**	**56,986**	**245,683**	**407,694**

	Financial year ended 31 December							
	2023				2022			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	67,745	137,285	46,887	251,917	58,195	134,049	53,001	245,245
Operating costs net of depreciation and amortisation	(57,778)	(121,836)	(38,288)	(217,902)	(50,157)	(120,325)	(38,615)	(209,097)
EBITDA	**9,967**	**15,449**	**8,599**	**34,015**	**8,038**	**13,724**	**14,386**	**36,148**
Amortisation and depreciation	(4,919)	(13,866)	(4,168)	(22,953)	(4,835)	(13,283)	(3,967)	(22,085)
Total operating costs	**(62,697)**	**(135,702)**	**(42,456)**	**(240,855)**	**(54,992)**	**(133,608)**	**(42,582)**	**(231,182)**
Operating income	**5,048**	**1,583**	**4,431**	**11,062**	**3,203**	**441**	**10,419**	**14,063**
Net financial income/(expenses)				(15,655)				(2,451)
Pre-tax profit/(loss)				**(4,593)**				**11,612**
Income tax				1,895				(3,696)
Net profit/(loss) for the year				**(2,698)**				**7,916**
Profit/(loss) attributable to non-controlling interests				271				54
Group profit/(loss)				**(2,969)**				**7,862**

It should be noted that non-current unallocated assets mainly refer to the value of deferred tax assets recorded in the consolidated financial statements of the Group. Current unallocated assets relate to current account ratios and short-term financial receivables from related parties.
Management monitors the operating income of its business units separately for the purpose of making decisions on resource, allocation and performance assessment. Segment performance is assessed based on operating income. Group financial management (including financial income and charges) and income tax are managed at Group level and are not allocated to the individual operating segments.

42 Related party transactions

The following tables give 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:
In particular, for the financial year ended 31 December 2023, the breakdown of each related party is indicated below:

	31 December					31 December				
	2023					2022				
(Euro in thousands)	**Trade receivables**	**Current financial receivables**	**Non-current financial payables**	**Current financial payables**	**Trade payables**	**Trade receivables**	**Current financial receivables**	**Current financial payables**	**Current financial payables**	**Trade payables**
Associates:										
Locavert S.A.	17	-	-	-	1	11	-	-	-	1
Subtotal	**17**	**-**	**-**	**-**	**1**	**11**	**-**	**-**	**-**	**1**
Joint Ventures:										
Condux Tesmec Inc.	2,056	1,734	-	-	-	1,284	1,725	-	-	14
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**2,056**	**2,528**	**-**	**-**	**-**	**1,284**	**2,519**	**-**	**-**	**14**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	39	-	-	-	-	19
Dream Immobiliare S.r.l.	-	77	-	-	1,021	-	77	-	-	990
Fi.ind.	8	-	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	739	-	1,686	200	87	650	-	-	3,050	72
RX S.r.l.	6	-	213	881	92	-	-	-	1,094	71
Triskell Conseil Partner	-	-	-	-	-	-	-	-	-	10
ICS Tech. S.r.l.	100	-	-	-	-	82	-	-	-	-
Subtotal	**853**	**77**	**1,899**	**1,081**	**1,239**	**732**	**77**	**-**	**4,144**	**1,162**
Total	**2,926**	**2,605**	**1,899**	**1,081**	**1,240**	**2,027**	**2,596**	**-**	**4,144**	**1,177**

(Euro in thousands)	Financial year ended 31 December 2023					Financial year ended 31 December 2022				
	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.	113	33	-	-	-	808	-	(1)	-	-
Subtotal	**113**	**33**	**-**	**-**	**-**	**808**	**-**	**(1)**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	8,952	(126)	(1)	277	63	5,368	-	(14)	246	53
Tesmec Peninsula	-	-	-	-	-	6,697	-	(55)	8	67
Subtotal	**8,952**	**(126)**	**(1)**	**277**	**63**	**12,065**	**-**	**(69)**	**254**	**120**
Related parties:										
Ambrosio S.r.l.	-	-	-	(4)	(3)	-	-	-	(4)	(3)
Dream Immobiliare S.r.l.	-	-	-	(223)	(285)	-	-	-	(15)	(345)
Fi.ind.	-	-	-	7	-	-	-	-	-	-
TTC S.r.l.	-	-	(72)	16	-	-	-	(30)	-	-
M.T.S. Officine meccaniche S.p.A.	1,624	(1)	(12)	14	(79)	1,849	(8)	(2)	13	(78)
RX S.r.l.	-	-	-	5	(22)	-	-	-	-	(32)
Triskell Conseil Partner	-	-	-	-	-	-	-	(18)	-	-
ICS Tech. S.r.l.	31	-	(7)	3	-	17	-	-	-	-
Comatel	-	-	-	-	-	3	-	-	-	-
TCB Sport S.r.l.	-	-	-	1	-	-	-	-	-	-
Subtotal	**1,655**	**(1)**	**(91)**	**(181)**	**(389)**	**1,869**	**(8)**	**(50)**	**(6)**	**(458)**
Total	**10,720**	**(94)**	**(92)**	**96**	**(326)**	**14,742**	**(8)**	**(120)**	**248**	**(338)**

43 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2023:

Board of Directors				
Name and Surname	**Office**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees (in Euro)**
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	460,000	-	460,000
Gianluca Bolelli	Vice Chairman	104,000	-	104,000
Caterina Caccia Dominioni	Director	70,000	-	70,000
Lucia Caccia Dominioni	Director	30,000	-	30,000
Paola Durante	Director	50,000	-	50,000
Simone Andrea Crolla	Director	40,000	-	40,000
Emanuela Teresa Basso Petrino	Director	62,400	-	62,400
Guido Luigi Traversa	Director	40,000	-	40,000
Antongiulio Marti	Director	40,000	-	40,000
Nicola Iorio	Director	30,000	-	30,000

Board of Statutory Auditors				
Name and Surname	**Office**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees (in Euro)**
Simone Cavalli	Chairman	39,000	-	39,000
Attilio Massimo Marco Francozzi	Statutory Auditor	26,000	-	26,000
Laura Braga	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2023 financial year amounted to Euro 404 thousand (Euro 539 thousand in the 2022 financial year).

44 Legal and tax disputes

At the end of the reporting year, the Tesmec Group is party to a number of civil and tax disputes. With regard to civil disputes, the Group, based on the advice of its lawyers, considers that the possibility of losing these cases is possible or remote and therefore it has not set aside any provision in the financial statements for any liabilities arising from such disputes, in accordance with the accounting standards of reference that require the allocation of liabilities for probable and quantifiable risks.

The scope of assessment for ongoing tax audits described below totals approximately Euro 1.8 million, with respect to which, with the support of the opinion of the appointed tax advisors, provisions of about Euro 200 thousand were set aside.

In April 2018, a debtor company notified the subsidiary Tesmec Rail S.r.l., following the enforcement by the subsidiary of a court order not opposed by the debtor, for an amount of Euro 41 thousand, for a writ of summons before the Court of Bari, by virtue of which the debtor asked the judge to ascertain the termination of an alleged contract pending between the parties, requesting that Tesmec Rail be ordered to pay the sum of Euro 587 thousand for an invoice issued and not paid and as compensation for the alleged damage suffered, as well as legal costs; amounts and objections not contested and/or enforced in the proceedings opposing the injunction, which, moreover, was never formulated by the debtor company. The Group did not make any provision on the basis of the opinion expressed by the appointed lawyers, in particular with regard to the lack of adequate allegations in the introductory phase of the judgement by the debtor company. The preliminary investigation procedure is still ongoing; the next hearing for the examination of witnesses is scheduled for 6 May 2024 following adjournment.

On 30 June 2022, Amtrak sued Tesmec USA for damages suffered from a fire on 1 July 2019, which affected a maintenance vehicle supplied by the American subsidiary. Amtrak claims that the fire was caused by alleged vehicle faults. On 26 September 2022, Tesmec USA filed preliminary objections through its lawyers, which led Amtrak to amend its claims and to exclude claims for certain items of damage. On 28 October 2022, Tesmec USA filed its statement of defence in which, rejecting all opposing claims, it filed a counterclaim for violation of the obligations undertaken by the opposite party in performance of a post-sale settlement agreement. Tesmec opened the claim under the local insurance policy in the US and master in Italy.
The case is still at an early stage; the vehicle has been inspected and the outcome is expected in the coming months. In the meantime, its lawyers have been instructed to explore the feasibility of out-of-court mediation. A meeting between the parties was held today.

Following a tax audit on the 2015, 2016 and 2017 financial years, in December 2019, the subsidiary Groupe Marais received an assessment from the French tax authority mainly concerning the calculation of the R&D tax credit. This audit was subsequently extended to the 2018 financial year. In particular, the French tax authorities contested mainly the applicability of the tax relief regulations of the projects for a total amount of approximately Euro 700 thousand, which were used to justify the recognition of the tax credit not yet used. The subsidiary believes that it has correctly applied the tax regulations also in relation to the validations obtained at the time of the accrual of the tax credit and has appealed against this assessment, with the help of its tax advisors. The Company, supported in this by the opinion of its tax advisors, considers its behaviour to be well-founded; however, considering the uncertainty related to the outcome of a judgement before the Administrative Court, a provision was made to mitigate the risk of losing the case.

Following a tax audit for the tax year 2018, on 1 August 2022, the subsidiary Tesmec Automation S.r.l. received the report on findings (PVC) from the Italian Inland Revenue. The inspectors challenged the Company's undue utilisation of R&D credits totalling Euro 1.1 million. The Company believes it has acted correctly and has prepared its counterclaims with the assistance of its advisors. In 2023, the Italian Inland Revenue issued a deed of collection for misuse to offset the research and development tax credit for the 2015 and 2016 tax years totalling Euro 191 thousand, plus penalties and interest. The company, believing its actions to be correct also on the basis of the opinions received, immediately appealed against the aforementioned deed of collection. On 14 December 2023, the Court of Bergamo upheld the appeal of Tesmec Automation S.r.l. in full.

45 Positions or transactions resulting from atypical and/or unusual operations

Note that, pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006, in 2023 the Company did not carry out any atypical and/or unusual operation, as defined by the Communication itself.

46 Commitments and risks

They include sureties, guarantees and third-party assets with the Group. For the financial years as at 31 December 2023 and 2022, they are summarised as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Sureties	141,654	170,595
Total commitments and risks	**141,654**	**170,595**

The recorded value concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers. The increase is mainly due to the work orders of the newly set up Rail segment.

Risks and future expenses are reasonably hedged by funds specifically accounted for in the financial statements in accordance with IAS 37.

47 Reporting pursuant to Article 149-duodecies of CONSOB Issuer Regulation

Pursuant to Article 149-*duodecies* of the CONSOB Issuer Regulation (Resolution no. 11971/1999 and subsequent amendments), the following table shows the fees charged in the financial statements ended 31 December 2023 and 2022 for auditing services and for services other than audit rendered by the Company Deloitte & Touche S.p.A.

(Euro in thousands)	**Receiver**	**Independent Auditors that supplied the service**	**2023**	**2022**
Audit of the financial statements and consolidated financial statements	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	199	150
	Italian subsidiaries	Deloitte & Touche S.p.A.	62	60
	Foreign subsidiaries and JV	Deloitte network	142	134
Limited half-year auditing	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	32	28
Limited auditing of the consolidated non-financial statement	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	57	50
Certification services	Tesmec S.p.A. Parent Company and Subsidiaries	Deloitte & Touche S.p.A.	61	79
Total			**553**	**501**

48 Significant events occurred after the reporting year

No significant events occurred after the end of the financial year.

It should be remembered that the transfer activities of the production of the stringing segment, from the Endine Gaiano plant whose rental contract had come to an end, to the Grassobbio production site continued in the first months of 2024, with production continuity.

During the first months of 2024, the subsidiary Tesmec Rail S.r.l. has opened a new operational headquarters in Bozzolo (MN), where it has started to carry out some of the contractually required maintenance activities on the railway vehicles of its own production. The site in question, previously identified and already equipped, guarantees more efficient management of the fleet of vehicles undergoing maintenance, reducing the times and costs of transporting the vehicles to be maintained which, being located on the entire national railway network, will be directed to the site Bozzolo or to the Monopoli site according to logistical efficiency criteria.

Certificate of the Consolidated financial statements pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Ambrogio Caccia Dominioni and Ruggero Gambini, 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 consolidated financial statements during the 2023 financial year.

2. We also certify that:

2.1 the consolidated financial statements as at 31 December 2023:

- have been prepared in accordance with IFRS as endorsed by the European Union, as provided by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- give a true and fair view of the financial position, the results of the operations and of the cash flows of the issuer and of its consolidated companies.

2.2. the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of the issuer and of its consolidated companies, together with a description of the main risks and uncertainties they are exposed to.

Milan, 8 March 2024

Ambrogio Caccia Dominioni
Chief Executive Officer

Ruggero Gambini
Manager responsible for preparing
the Company's financial statements

FINANCIAL STATEMENTS OF TESMEC S.P.A.

Statement of financial position

(in Euro)	Notes	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Intangible assets	4	11,235,115	8,265,910
Property, plant and equipment	5	8,994,848	8,124,681
Rights of use	6	9,427,691	8,411,738
Equity investments in subsidiaries	7	75,838,721	75,619,968
Equity investments in associates	7	1,007,763	1,007,763
Other equity investments		36,308	24,308
Financial receivables and other non-current financial assets	8	22,165,693	22,382,529
of which with related parties:		*18,144,832*	*19,298,087*
Derivative financial instruments	18	334,811	752,958
Deferred tax assets	26	6,751,579	5,581,102
Other non-current assets		369,098	376,717
TOTAL NON-CURRENT ASSETS		**136,161,627**	**130,547,674**
CURRENT ASSETS			
Inventories	9	35,218,134	40,629,401
Trade receivables	10	42,405,517	44,411,286
of which with related parties:		*28,496,556*	*28,781,183*
Tax receivables		1,245,184	346,606
Financial receivables and other current financial assets	11	60,419,415	44,439,031
of which with related parties:		*56,136,454*	*43,020,597*
Other current assets	12	4,732,487	6,425,913
of which with related parties:		*1,281,226*	*2,839,940*
Cash and cash equivalents	13	22,284,148	19,616,247
TOTAL CURRENT ASSETS		**166,304,885**	**155,868,484**
TOTAL ASSETS		**302,466,512**	**286,416,158**
SHAREHOLDERS' EQUITY			
Share capital	14	15,702,162	15,702,162
Reserves	14	76,497,535	72,384,191
Net profit/(loss) for the year	14	3,359,702	4,133,552
TOTAL SHAREHOLDERS' EQUITY		**95,559,399**	**92,219,905**
NON-CURRENT LIABILITIES			
Medium/long-term loans	15	63,318,465	66,573,044
of which with related parties:		*1,899,000*	-
Non-current bond issue	16	-	1,246,146
Non-current financial liabilities from rights of use	17	6,883,529	6,391,239
Employee benefit liability	19	1,197,043	1,238,759
Deferred tax liabilities	26	5,238,535	4,765,529
TOTAL NON-CURRENT LIABILITIES		**76,637,572**	**80,214,717**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	20	69,201,239	53,920,742
of which with related parties:		*202,013*	*3,754,236*
Current financial liabilities from rights of use	17	2,663,959	2,616,305
Current bond issue	21	1,246,146	3,716,482
Trade payables	22	46,657,279	40,277,431
of which with related parties:		*8,759,690*	*2,447,106*
Advances from customers		418,191	4,106,313
Income taxes payable	23	2,304,288	2,888,503
Provisions for risks and charges	24	434,105	460,000
Other current liabilities	25	7,344,334	5,995,760
of which with related parties:		*33,162*	*294,670*
TOTAL CURRENT LIABILITIES		**130,269,541**	**113,981,536**
TOTAL LIABILITIES		**206,907,113**	**194,196,253**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,466,512**	**286,416,158**

Income statement

(in Euro)	Notes	Financial year ended 31 December 2023	2022 reclassified
Revenues from sales and services	27	**127,612,032**	**110,775,177**
of which with related parties:		*53,625,380*	*48,522,833*
Cost of raw materials and consumables	28	(74,030,627)	(59,876,739)
of which with related parties:		*(8,962,601)*	*(1,787,106)*
Costs for services	29	(22,867,006)	(22,108,704)
of which with related parties:		*(2,260,175)*	*(1,628,466)*
Payroll costs	30	(23,911,234)	(21,973,182)
Other operating costs/revenues, net	31	2,069,882	289,655
of which with related parties:		*3,446,104*	*2,590,279*
Amortisation and depreciation	32	(5,783,678)	(5,916,641)
Development costs capitalised	33	4,223,732	2,405,530
Total operating costs		**(120,298,931)**	**(107,090,081)**
Operating income		**7,313,101**	**3,685,096**
Financial expenses	34	(15,967,112)	(15,880,791)
of which with related parties:		*(695,801)*	*(467,298)*
Financial income	35	12,484,164	17,362,811
of which with related parties:		*7,849,206*	*3,828,969*
Pre-tax profit/(loss)		**3,830,153**	**5,167,116**
Income tax	26	(470,451)	(1,033,564)
Net profit/(loss) for the year		**3,359,702**	**4,133,552**

Comprehensive income statement

		Financial year ended 31 December	
(in Euro)	**Notes**	**2023**	**2022**
NET PROFIT/(LOSS) FOR THE YEAR		**3,359,702**	**4,133,552**
Other components of comprehensive income:			
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	19	(26,589)	148,241
Income tax		6,381	(35,578)
		(20,208)	112,663
Total other income/(losses) after tax		**(20,208)**	**112,663**
Total comprehensive income (loss) after tax		**3,339,494**	**4,246,215**

Cash flow statement

(in Euro)	Notes	Financial year ended 31 December 2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year		3,359,702	4,133,552
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	32	5,783,678	5,916,641
Provisions for employee benefit liability	19	1,190,557	14,827
Provisions for risks and charges/inventory obsolescence/doubtful accounts	9-10-24	558,686	755,000
Employee benefit payments	19	(1,258,863)	(221,397)
Payments/use of provisions for risks and charges	24	(80,000)	-
Net change in deferred tax assets and liabilities	26	(691,090)	574,456
Change in fair value of financial instruments	18	418,147	(842,620)
Change in current assets and liabilities:			
Trade receivables	10	(1,932,882)	(10,637,179)
of which with related parties:		*284,627*	*(11,192,782)*
Inventories	9	5,157,216	(1,982,955)
Trade payables	22	6,379,848	5,673,356
of which with related parties:		*6,312,584*	*(495,789)*
Other current assets and liabilities		1,566,826	(993,241)
of which with related parties:		*1,297,206*	*(2,404,065)*
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**20,451,825**	**2,390,440**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	5	(1,726,168)	(1,474,707)
Investments in intangible assets	4	(5,192,687)	(2,839,749)
Investments in rights of use	6	(4,105,515)	(200,646)
(Investments)/disposals of financial assets		(15,994,301)	(1,772,963)
of which with related parties:		*(11,962,602)*	*38,971,644*
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	4-5-6	385,368	746,706
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(26,633,303)**	**(5,541,359)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	15	23,000,000	16,065,605
of which with related parties:		*1,899,000*	*(3,263,000)*
Recognition of financial liabilities from rights of use	17	4,578,566	199,044
Repayment of medium/long-term loans	15-16	(28,844,237)	(13,605,067)
Repayment of financial liabilities from rights of use	17	(4,038,622)	(2,667,750)
Net change in short-term financial debt	17-20-21	14,153,672	1,774,953
of which with related parties:		*(3,552,223)*	*2,664,735*
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		**8,849,379**	**1,766,784**
TOTAL CASH FLOW FOR THE YEAR (D=A+B+C)		**2,667,901**	**(1,384,135)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	13	19,616,247	21,000,382
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G=D+E+F)		**22,284,148**	**19,616,247**
Additional information:			
Interest paid		7,388,214	4,177,963
Income tax paid		1,245,184	-

Statement of changes in shareholders' equity

(in Euro)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Other reserves	Profit/(loss) for the period	Total shareholders' equity
Balance as at 1 January 2022	**15,702,162**	**2,141,680**	**39,215,221**	**(2,340,969)**	**34,008,009**	**(752,412)**	**87,973,690**
Net profit/(loss) for the year	-	-	-	-	-	4,133,552	4,133,552
Other changes	-	-	-	-	112,663	-	112,663
Total comprehensive income/(loss)	-	-	-	-	**112,663**	**4,133,552**	**4,246,215**
Allocation of profit for the year	-	-	-	-	(752,412)	752,412	-
Balance as at 31 December 2022	**15,702,162**	**2,141,680**	**39,215,221**	**(2,340,969)**	**33,368,260**	**4,133,552**	**92,219,905**
							-
Net profit/(loss) for the year	-	-	-	-	-	3,359,702	3,359,702
Other changes	-	-	-	-	(20,208)	-	(20,208)
Total comprehensive income/(loss)	-	-	-	-	**(20,208)**	**3,359,702**	**3,339,494**
Allocation of profit for the year	-	206,678	-	-	3,926,874	(4,133,552)	-
Balance as at 31 December 2023	**15,702,162**	**2,348,358**	**39,215,221**	**(2,340,969)**	**37,274,926**	**3,359,702**	**95,559,399**

Explanatory notes

Accounting policies adopted in preparing the financial statements as at 31 December 2023

1 Company information

The Tesmec S.p.A. Parent Company (hereinafter "Parent Company", "Tesmec" or "Company") 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 Company is in Milan in Piazza S. Ambrogio no. 16.

The publication of Tesmec's financial statements for the year ended 31 December 2023 was authorised by means of the resolution of the Board of Directors on 8 March 2024.

2 Reporting standards

The financial statements of Tesmec S.p.A. as at 31 December 2023 comprise the statement of financial position, income statement, comprehensive income statement, cash flow statement, statement of changes in shareholders' equity and the related explanatory notes. These financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union according to the text published in the Official Journal of the European Communities (OJEC) and in force as at 31 December 2023. These IFRS principles also include all revised international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

The reference accounting standards adopted in the current yearly financial statements are consistent with those used for preparing the yearly financial statements of the Company for the year ended 31 December 2022, also prepared according to the international accounting standards, with the exception of the principles and interpretations of new application, explained in note 2.3.

The values shown in the financial statements are expressed in Euro. The values shown in the explanatory notes are rounded to the nearest thousand, unless otherwise indicated.

Business continuity

These financial statements were prepared on a going concern basis, as the Directors checked the ability of the Company and the Group to meet their obligations in the foreseeable future of at least 12 months by developing for this purpose alternative forecast scenarios reflecting the impact of potential business slowdowns compared to those envisaged in the Budget examined by the Board of Directors on 8 March 2024. In the light of the Budget forecasts and the related sensitivity analyses, the Board of Directors made a positive assessment of the existence of the company's ability to continue as a going concern on the basis of which the annual report was prepared and approved, as there are no significant uncertainties about the company's ability to continue as a going concern. Trends differing from the company's Budget forecasts and related sensitivity analyses, with special reference to slowdowns in the realisation of the order backlog and consequently in the recognition of revenues, increases in procurement costs exceeding the scenarios incorporated in the mentioned forecasts, could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with financial covenants.

The main risks and uncertainties to which Tesmec Group is exposed are described in the specific paragraph of the Report on Operations. A description of how the Company and the Group manage financial risks is provided in the section Management of financial risks of these Explanatory Notes.

2.1 Adopted financial statement reporting formats

In compliance with the provisions of CONSOB Resolution no. 15519 of 27 July 2006, information on the adopted financial statement reporting format compared to what is stated in IAS 1 are indicated below for the statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity as well as the method used for representing the financial flows in the cash flow statement compared to those specified in IAS 7.

- In the income statement, it was decided to present a cost analysis by using a classification based on their nature.
- The comprehensive income statement includes the result for the year and, by homogeneous categories, the income and expenses that, under IFRS, are recognised directly in shareholders' equity.
- In the statement of financial position, it was decided to represent current and non-current assets and current and non-current liabilities classified separately, in accordance with IAS 1.
- The statement of changes in shareholders' equity occurred during the period are represented through a table that reconciles the opening and closing balances of each item of the shareholders' equity of the Company.
- The cash flow statement represents the financial flows by dividing them into operating, investing and financing activities. In particular, financial flows from operating activities are represented, in accordance with IAS 7, using the indirect method, whereby net profit or loss for the year is adjusted by the effects of non-monetary transactions, by any deferral or provision of prior or future operating receipts or payments, and by revenue or cost elements connected with financial flows from investing or financing activities.

It should be noted that, in accordance with the above-mentioned resolution, the amounts of the positions or transactions with related parties and (positive and/or negative) income components resulting from non-current events or operations, i.e. from operations or facts that do not recur with frequency in the usual course of business were reported under specific sub-items, in case of significant amounts, in the statement of financial position, income statement and cash flow statement.

2.2 Significant accounting principles

Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and in accordance with Article 9 of Italian Legislative Decree no. 38/2005.
The financial statements have been prepared on a historical cost basis, except for items that have been measured at fair value in accordance with IFRS (derivative financial instruments, financial assets represented by shares or bonds in portfolio, investment properties and contingent consideration). The carrying amounts of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in fair value attributable to the risks that are being hedged in effective hedge relationships.
The financial statements as at 31 December 2023 provide comparative information in respect of the previous year. In addition, the accounting policies adopted in these consolidated financial statements were applied in the same way also to all the periods of comparison.
For the purposes of preparing these consolidated financial statements, the Company recognised as financial expenses the costs incurred with credit institutions for the issue of guarantees required for the performance of multi-year work orders, previously shown as costs for services, as the Company believes that this classification better represents the economic substance of the case, which is the financial commitment made by the Group for the completion of work orders in progress. To make the data more comparable, the corresponding values for 2022 have also been reclassified using the same criteria.
This reclassification resulted in lower operating costs of Euro 1,126 thousand (Euro 863 thousand in 2022) and corresponding higher financial expenses.

Current versus non-current classification

The assets and liabilities in the statement of financial position are based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting year; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting year; or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified under non-current assets and liabilities.

Business combinations and goodwill

Business combinations are recorded by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred at fair value as at the date of acquisition and the amount of any minority interest in the acquired company. For each business combination, the purchaser must consider any minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquired company. Acquisition costs are paid and classified among administrative expenses.
When the Company acquires a business, it must classify or designate the acquired financial assets or the liabilities assumed in accordance with the contract terms, the economic conditions and other relevant conditions existing as at the date of acquisition. This includes the verification to establish whether an embedded derivative must be separated from the host contract.
Each contingent consideration must be recognised by the purchaser at fair value as at the date of acquisition. The contingent consideration classified as equity is not remeasured and its subsequent payment is recorded with the shareholders' equity as a balancing entry. The fair value change in the contingent consideration classified as asset or liability, i.e. a financial instrument that is in the scope of IFRS 9 Financial instruments, must be recognised in the income statement in compliance with IFRS 9. The contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the end of the reporting year and changes in fair value are recognised in the income statement.
The goodwill is initially measured at cost that arises as surplus between the sum of the paid consideration and the amount recognised for the minority shares compared to identifiable net assets acquired and liabilities undertaken by the Company. If the fair value of net assets acquired is in excess of the sum of the consideration paid, the Company checks again if it has identified correctly all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised as at the acquisition date. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.
After initial recognition, goodwill is measured at cost, net of any accumulated impairment loss. For impairment loss verification, the goodwill acquired in a business combination must be allocated, from the date of acquisition, to each cash-generating unit of the Company that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to such units.
If the goodwill has been allocated to the cash-generating unit and the entity disposes of part of the assets of such unit, the goodwill associated to the asset disposed of must be included in the book value of the asset when the profit or loss deriving from the divestment is determined. The goodwill associated with the asset disposed of must be determined on the basis of the values related to the asset disposed of and of the retained part of the cash-generating unit.

Intangible assets with definite lives

Intangible assets are recorded in the assets at purchase cost when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be measured reliably. Intangible assets acquired by means of business combinations are recorded at fair value on the date of acquisition. The useful life of intangible assets is measured as definite or indefinite.
Intangible assets with definite lives are amortised on a straight-line basis over their estimated useful life and submitted to impairment test whenever there is a possible impairment loss. The residual useful life is reviewed at the end of each financial year or more frequently, if necessary. Changes in the expected estimated useful life or in the ways in which future economic benefits related to the intangible asset are achieved by the Company are recognised by changing the period and/or the method of amortisation and treated as changes in accounting estimates. Amortisation charges of intangible assets with definite lives are recognised in the income statement in the category of cost consistent with the function of the intangible asset.

The estimate of the useful life of intangible assets with definite lives is set below:

	Years
Industrial rights and patents	5
Development costs	5
Trademarks	5
Other intangible assets	3 - 5

Research and Development costs

Research costs are posted to the income statement when they are borne.
Development costs borne with regard to a particular project concerning the development of new excavating machines, stringing equipment and/or railway machines, of their significant individual components and/or of significant customisations that materialise in new models included in the catalogue, are capitalised only when the Company can show the ability to complete the technical work in order to make it available for use or for sale, its intention to complete the said asset in order to use it or transfer it to third parties, the ways in which it will generate probable future economic benefits, the availability of technical, financial or other type of resources to complete the development, its ability to reliably consider the cost attributable to the asset during its development and the existence of a market for the products and services deriving from the asset or usefulness for internal purposes.
During the period of development, the asset is annually reviewed in order to recognise any impairment loss. After the initial recognition, development costs are measured at cost decreased by any accumulated amortisation or loss. The amortisation of the asset starts when the development is complete and the asset is available for use. It is amortised with reference to the period in which the connected project is expected to generate revenues for the Company, estimated on average over five years. If the projects to which such assets refer are abandoned or the related machines are no longer included in the catalogue, specific impairment indicators are recognised, and therefore the asset is tested for impairment and written down for any impairment loss recognised as described for intangible assets with definite lives.

Rights and trademarks

The purchase costs of the rights and trademarks are amortised over a period of time during the useful life of the acquired asset, which was determined in five years.

Intangible assets with indefinite lives are not amortised but tested annually for impairment losses on an individual basis or in terms of cash-generating unit. The assessment of the indefinite life is reviewed annually to determine whether such an allocation continues to be sustainable otherwise the change from indefinite to definite life applies on a prospective basis.

An intangible asset is derecognised on disposal (i.e. when the acquirer obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net consideration of the disposal and the book value of the asset) is included in the income statement.

Property, plant and equipment

Property, plant and equipment acquired separately, with the exception of the land and buildings item, are recorded at historical cost, including directly imputable additional costs necessary for putting the asset into operation for the use for which it was acquired. This cost includes the charges for replacing part of the machines and plants when they are borne, if complying with the recognition criteria.
Property, plant and equipment acquired by means of business combinations are recorded at fair value on the date of acquisition.
Maintenance and repair costs, which are not likely to enhance and/or extend the residual life of the assets, are paid during the financial year in which they are borne, otherwise they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and any impairment loss determined as described below. The depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reviewed every year and any change, if necessary, is applied prospectively.

The estimate of the useful life of the main classes of property, plant and equipment is set below:

	Years
Buildings	40
Plant and machinery	10
Fixtures and fittings, tools and equipment	4
Leasehold trenchers	5
Other assets	4 – 8

If significant parts of property, plant and equipment have different useful lives, these components are recorded separately. Lands, both without construction and belonging to buildings, are recorded separately and are not depreciated since they have an unlimited useful life.
The book value of property, plant and equipment is subject to an impairment test when events or changed circumstances indicate that the book value cannot be recovered. If there is an indication of this type and, in the event that the book value exceeds the estimated realisable value, assets are written down so as to reflect their realisable value. The realisable value of property, plant and equipment is represented by the net sales price and the value in use, whichever is higher.
When defining the value in use, the expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets that do not generate fully independent financial flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment losses are recorded in the income statement among costs for amortisation, depreciation and write-downs. These impairment losses are reversed if the reasons that generated them no longer exist.
At the time of sale or when there are no future economic benefits expected from the use of an asset, it is written off from the financial statements and any loss or profit is posted to the income statement in the year of the aforesaid writing off.

Leases

The Company assesses at the time of signing an agreement whether the agreement is, or contains, a lease. In other words, whether the contract gives the right to control the use of an identified asset for a period of time in exchange for a consideration.

Contracts with the Company as lessee
The Company adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Company recognises the lease liability representing its obligation to make lease payments and the right-of-use asset representing its right to use the underlying leased asset.

Rights of use
The Company recognises the right-of-use asset on the inception date of the lease (i.e. the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, net of accumulated depreciation and any impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at or before the commencement date, net of any incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use or at the end of the lease term, whichever comes first.
If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the commencement date until the end of the useful life of the underlying asset.
Right-of-use assets are subject to Impairment. Refer to the section Impairment of assets.

Lease liabilities
At the commencement date of the lease, the Company recognises the lease liabilities by measuring them at the present value of the lease payments not yet paid at that date. Payments due include fixed payments net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Company and the penalty payments for termination of the lease, if the lease term takes account of the exercise by the Company of the option to terminate the lease.
Variable lease payments that do not depend on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.
In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the inception date if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases reflect the lease payments made. Moreover, the book value of lease liabilities is restated in the event of any changes to the lease or for reviewing the contractual terms for the change in payments; it is also restated if there are changes in the valuation of the option to purchase the underlying asset or changes in future payments resulting from a change in the index or rate used to determine such payments.

Short-term leases and leases of low-value assets
The Company applies the exemption for the recognition of short-term leases (leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Company has also applied the exemption for leases relating to low-value assets with reference to lease contracts for office equipment whose value is considered low. Short-term leases and leases of low-value assets are recognised as costs on a straight-line basis over the lease term.

Contracts with the Company as lessor
If the Company signs lease contracts that substantially transfer to the customers all the risks and rewards deriving from the ownership of the leased asset, the revenues concerning the transfer of the asset are recognised in the financial statements and are recorded on the inception date of the lease at the fair value of the leased asset or at the present value of the lease payments, if lower. Moreover, a borrowing that corresponds to the present value of the lease payments still due is recorded in the balance sheet. Financial income is posted directly to the income statement.
Lease contracts in which the Company substantially retains all risks and rewards related to the ownership of the asset are classified as operating leases. Lease income from operating leases must be recognised on a straight-line basis over the lease term and are included in revenues in the income statement due to their operating nature. Initial trading costs are added to the book value of the leased asset and recognised over the term of the contract on the same basis as lease income. Unplanned rents are recognised as revenue in the period in which they accrue.

Impairment of assets

At the end of each reporting year, the Company considers the possible existence of impairment loss indicators of intangible assets with definite lives, of property, plant and equipment, of right-of-use assets and of investments in associates and joint ventures. If these indicators exist, an impairment test is carried out.
The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use and is determined by single asset, with the exception of the case in which this asset generates financial flows that are not widely independent from those generated by other assets or groups of assets, in which case the Company estimates the recoverable amount of the clash-generating unit to which the asset belongs.
When determining the value in use, the Company discounts back the present value of future estimated financial flows, by using a pre-tax discount rate that reflects the market evaluations on the time value of money and specific risks of the asset.
In order to estimate the value in use, the future financial flows are derived from the business plans approved by the Board of Directors, which represent the best estimate made by the Company on the economic conditions laid down in the plan period. The projections of the plan normally cover a period of three financial years; the long-term growth rate used in order to estimate the terminal value of the asset or of the unit is normally lower than the average long-term growth rate of the segment, country or market of reference. Future financial flows are estimated by referring to the current conditions: therefore, estimates do not consider benefits deriving from future restructuring for which the Company has not yet committed itself or future investments for improving or optimising the asset or the unit.
If the book value of an asset or cash-generating unit is greater than its recoverable amount, this asset was impaired and consequently amortised until its recoverable amount is reached.
Impairment losses incurred by operating assets are recognised in the income statement in the categories of cost consistent with the function of the asset that showed the impairment loss. At the end of each reporting year, the Company also considers the possible existence of elements indicating a decrease in impairment losses previously recognised and, if these indicators exist, it estimates the recoverable amount again. The value of an asset previously written down can be restored only if there were changes in the estimates used for determining the recoverable amount of the asset after the last recognition of an impairment loss. In this case, the book value of the asset is set to the recoverable amount, however without the possibility for the value thus increased to exceed the book value that would have been determined, net of amortisation, if no impairment had been recognised in previous years. Each reversal of impairment loss is recognised as an income in the income statement; after recognising a reversal of impairment loss, the amortisation rate of the asset is adjusted in future periods, in order to distribute the changed book value, net of any residual value, on a straight-line basis over the remaining useful life.

Intangible assets with an indefinite useful life and goodwill are tested for impairment at least once a year at the cash-generating unit level and whenever circumstances indicate that there may be an impairment.

Equity investments in subsidiaries, associates and in joint ventures

Equity investments in subsidiaries, associates and companies subject to joint control (not classified as held for sale) are recorded in accordance with the method of cost, converted in Euro at historical exchange rates if referring to equity investments in foreign companies whose financial statements are drawn up in a currency other than Euro, in accordance with IAS 27.
The initial cost is equal to the costs incurred for the purchase or constitution or it is defined by experts in case of acquisitions through contributions.
When there is an indication that the equity investment may have suffered an impairment, its recoverable amount is estimated, in accordance with the method specified in IAS 36 "Impairment of Assets", in order to determine the eventual loss to be posted to the income statement. In this case, the Company calculates the amount of the loss as difference between the recoverable amount of the investee and its book value in its own financial statements, recognising this difference in the income statement.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. They are initially recognised at fair value and, after initial recognition, measured in relation to the classification, as required by IFRS 9.
Upon initial recognition, financial assets are classified, as the case may be:

- financial assets at fair value through profit or loss;
- financial assets at amortised cost.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them. With the exception of trade receivables that do not contain a significant loan component or for which the Company has applied a practical expedient, the Company initially values a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant loan component or for which the Company has applied a practical expedient are valued at the transaction price as explained in the specific paragraph.
Financial assets at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value recognised in the income statement. This category includes derivative instruments.
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued. Financial assets at amortised cost of the Company include trade receivables.

Financial assets are derecognised from the Company's statement of financial position when:

- rights to receive cash flows from the asset are paid off; or
- the Company has transferred to a third party the right to receive cash flows from the asset or it has assumed the contractual obligation to pay them totally and without any delays and (a) has transferred substantially all risks and rewards related to the ownership of the financial asset, or (b) has not substantially transferred or retained all risks and rewards of the asset, but has transferred its control.

If the Company has not transferred or retained substantially all the risks and rewards or has not lost control over it, the asset continues to be recognised in the consolidated financial statements of the Group to the extent of its residual involvement in the asset itself. In this case, the company also recognises an associated liability.
The Company records a write-down for expected credit loss ('ECL') for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables. The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.
For the purposes of subsequent valuation, financial liabilities are classified into two categories:

- financial liabilities at fair value through profit or loss;
- financial liabilities at amortised cost.

Financial liabilities at fair value with changes recognised in the income statement include derivative financial instruments subscribed by the Company that are not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Gains or losses on those liabilities are recognised in the income statement.
With regard to financial liabilities at amortised cost, they are measured using the effective interest rate method. Gains or losses are recorded in the income statement when the liability is discharged, in addition to using the

amortisation process. Amortisation at the effective interest rate is included in financial expenses in the income statement for the year.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the book values recognised in the income statement.
For the management of payments with its suppliers, the Company uses some solutions of the “supply chain finance” and in particular it uses the instrument of reverse factoring with some financial institutions. In such cases, the financial institution extinguishes the trade payable by anticipating its payment to the supplier, and grants the Company, of which it has become a creditor, an extension of payment. The Company 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. The liability relating to reverse factoring not included in financial indebtedness is disclosed pursuant to the "Guidance on Disclosure Requirements under the Prospectus Regulation" published by ESMA on 4 March 2021.

Derivative financial instruments

Derivative financial instruments are used by the Company solely with the intent to hedge financial risks relating to exchange-rate changes on commercial transactions in foreign currency and interest rate risks on interest-bearing loans and borrowings. These derivative financial instruments are initially recognised at fair value at the date when the derivative contract is signed, after which these are once again valued at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
If the conditions for the application of hedge accounting do not apply, the effects deriving from the fair value measurement of the derivative financial instrument are booked directly to the income statement.

In accordance with IFRS 9, hedging derivative financial instruments can be recorded according to the methods established for hedge accounting only when all of the following hedging effectiveness requirements are met:

- there is an economic relationship between the hedged item and hedging instrument;
- the effect of the credit risk does not prevail over the changes in value resulting from the economic relation;
- the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

At the end of the reporting year, the Company does not hold derivative instruments that qualify for hedge accounting.

Financial assets and other non-current assets

These assets are measured according to the amortised cost approach by using the effective discount rate method net of any provision for impairment.
The amortised cost is calculated taking into consideration any discount or purchase premium and includes the commissions that are part and parcel of the effective interest rate and of the transaction costs.
Receivables falling due after one year, interest bearing or paying interests lower than the market, are discounted by using interest rates in line with market references.

Inventories

Inventories are measured at the purchase and/or production cost, whichever lower, calculated by using the weighted average cost method, and the net realisable value. The purchase cost is inclusive of additional expenses; the cost of production includes directly attributable costs and a share of indirect costs, reasonably attributable to the products. The net estimated realisable value consists of the estimated sales prices less the estimated completion costs and the costs estimated to make the sale.
Write-down allowances are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.

Construction contracts

The construction contracts are activity deriving from the contract. A work order is a contract specifically negotiated for the construction of an asset according to the instructions of the company commissioning the work, which defines in advance the design and specifications.

Work order revenues include the considerations initially agreed with the company commissioning the work, in addition to variations in the commissioned work and to price changes provided for in the contract that can be measured reliably.
When the work order result can be measured reliably, work order revenues and costs are recognised as sales and as costs on the basis of the percentage of completion; the work in progress is calculated by referring to the costs of the work order borne until the end of the reporting year as a percentage of total costs estimated for each work order.
The costs borne in relation to future activities of the work order are excluded from the work order costs when calculating the work in progress and are recorded as inventories.
Total estimated costs for each work order are reviewed periodically, and when the costs of the work order are expected to be greater than its total revenues, the expected loss is recognised immediately as a cost.

Trade receivables and other current assets

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.
Other current assets are initially recorded at fair value, which generally corresponds to the nominal value and subsequently measured at amortised cost and reduced in case of impairment losses. The Company availed itself of the possibility not to use the amortised cost criterion if this would have irrelevant effects in order to give a true and fair view.
These financial assets are subsequently measured recognising a specific allowance for expected credit losses ('ECL'). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For trade receivables, the Company applies a simplified approach in calculating ECLs using a provision matrix that is based on its historical experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
Receivables in foreign currency other than the reporting currency are recorded at the exchange rate of the date of operation and subsequently converted to the exchange rate at the end of the financial year. The profit or loss resulting from the conversion are attributed to the income statement.
If the maturity of the trade receivables and of the other current assets does not fall within the normal commercial terms and do not bear interests, a detailed discounting process is applied based on assumptions and estimates.
The Company sells a portion of its trade receivables through factoring without recourse. Receivables assigned following factoring operations can be written off from the assets of the balance sheet only if the risks and rewards related to their legal ownership were substantially transferred to the assignee.

Other receivables and other financial assets

They are recorded initially at fair value and subsequently measured according to the amortised cost.

Cash and cash equivalents

Cash and short-term deposits include cash on hand as well as on-demand and short-term bank deposits; in this last case, with original maturity of no more than three months. Cash and cash equivalents are booked at nominal value and at the spot exchange rate at the end of the financial year, if in currency, corresponding to the fair value.

Loans

Loans are initially recognised at fair value of the amount received, net of any related loan acquisition costs.
After initial recognition, loans are valued using the amortised cost approach, applying the effective interest rate method. Any profit or loss is recorded in the income statement when the liability is discharged, in addition to using the amortisation process. The Company availed itself of the possibility not to apply this criterion if the effects for the purposes of a true and fair representation were irrelevant.

Treasury shares

The repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of transfer, is recognised in share premium reserve.
The voting rights related to the treasury shares are cancelled as well as the right to receive dividends. In case of exercise of share options during the period, these are met with treasury shares.

Trade payables and other payables

Payables are measured at nominal value.
Given the granted terms of payment, when a financial operation is configured, payables measured with the amortised cost approach are submitted to the discounting back of the nominal value to be paid, recording the discount as a financial charge. The Company availed itself of the possibility not to apply this criterion if the effects for the purposes of a true and fair representation were irrelevant.
Payables in foreign currency are aligned with the exchange rate at the end of the financial year and profits or losses deriving from the adjustment are posted to the income statement in unrealised exchange profits/losses.

Provisions for risks and charges

Provisions for risks and charges are made when the Company must face up a current liability (legal or implicit) that is the result of a past event; an outflow of resources is likely to meet this obligation and it is possible to make a reliable estimate of its amount.
When the Company believes that a provision for risks and charges will be partially or totally reimbursed, for example in the case of risks covered by insurance policies, the compensation is recognised separately in the assets only if it is practically certain. In this case, the cost of any provision is stated in the income statement net of the amount recognised for the compensation.
If the discounting back effect of the value of money is significant, provisions are discounted back using a pre-tax discount rate that reflects, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial expense.

The Company makes provisions for product guarantees in relation to the guarantee contractually granted to its customers on the sold machines. These provisions are calculated on the basis of the historical incidence of costs for product warranty borne in past financial years, of the period of validity of the granted warranties and revised annually.

Employee benefit liability

Post employment benefits are defined on the basis of plans, even though not yet formalised, which are classified as "defined contribution" and "defined benefit" in relation to their characteristics.
The Italian legislation (Article 2120 of the Italian Civil Code) establishes that, at the date on which each employee rescinds the employment contract with the company, he/she receives an allowance called TFR (severance indemnity). The calculation of this allowance is based on some items forming the yearly pay of the employee for each year of work (properly revalued) and on the length of the employer-employee relationship. According to the Italian civil law, this allowance is reflected in the financial statements according to a calculation method based on the allowance accrued by each employee at the reporting date, if all employees rescind the employment contract on that date.
The IFRIC of the IASB dealt with the TFR matter, as defined by the Italian legislation, and concluded that, in accordance with IAS 19, it must be calculated according to a method called Projected Unit Credit Method (known as PUCM) in which the amount of the liability for the acquired benefits must reflect the expected resignation date and must be discounted back.
The Company's net liability deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that the employees acquired in exchange for the work carried out in the current financial year and in prior financial years; this benefit is discounted back to calculate the present value. As provided by the revised version of IAS 19, actuarial gains and losses are recorded in full in the comprehensive income statement in the period in which they arise. The evaluation of liabilities is made by an independent actuary.
The Company has no other defined benefit pension plan.
The Company's liability deriving from defined-contribution plans is limited to the payment of contributions to the State or to an asset or legally separate entity (known as fund), and is determined on the basis of the contributions due.

Government grants

Government grants are recognised in the financial statements when there exists a reasonable certainty that they will be received and that the company will meet all the conditions for receiving them. When the contributions are related to cost components, they are recognised as revenues, but are allocated systematically across the financial years in order to be proportionate to the costs that they intend to compensate. If a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and they are gradually discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.

If the Company receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.
In case of loans or similar forms of assistance supplied by government entities or similar institutions that have an interest rate lower than the current market rate, the effect related to the favourable interest rate is considered as an additional government grant.

Revenues from contracts with customers

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation identified on the basis of the 'stand alone' selling price of each item of goods or each service; (v) recognition of the revenue when the relative performance obligation has been fulfilled, or at the time of transfer to the customer of the goods or services promised; the transfer is considered complete when the customer obtains control of the goods or services, which may continue over time, or at a specific point in time.
Revenues are recognised at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenues from contracts with customers are therefore recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Generally, control of the asset is transferred to the customer on delivery.

More specifically, with reference to sales with CIF condition, control of the asset is transferred to the end customer, and therefore the revenues are recognised, when the asset is handed over at the broadside of the ship. With regard to any machine completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Company, revenues are recognised if the following conditions established by paragraph B81 of IFRS 15 and are designed to understand the substance of the transaction at the end of the reporting year:

- the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer;
- the Company cannot have the ability to use the product or to direct it to another customer.

If the trade agreements related to the sales of machines contemplate their on-site testing at the premises of the purchaser as a binding condition for the acceptance of the machine, the revenues are recognised when the machine has been tested and the purchaser has accepted.

The allocation of revenues relative to services partially rendered are recognised for the portion matured, if it is possible to reliably determine stage of completion and there is no significant uncertainty about the amount and existence of the income.

In particular, the Company provides services that contemplate an excavation activity carried out by using machines belonging to the company and specialised workers employed by third-party companies. The provision of these services is contractually regulated by agreements with the counterparty that indicate, among other things, the timing for carrying out the excavation and contemplate a price per excavated metre that changes according to different hardness of the soil. Revenues are recognised on the basis of the actual excavation carried out to date.

Furthermore, the Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g.: warranties). In determining the price of the sale transaction, the Company considers the effects arising from the presence of variable considerations, significant financing components, non-monetary considerations and considerations to be paid to the customer (if any).

Tesmec provides after-sales services concerning the machines sold and these standard warranties on quality are accounted for under IAS 37 "Provisions, contingent liabilities and contingent assets". If these services are requested after the expiry of the warranty period, the service is contractually regulated by agreements with the counterparty. Revenues are recognised based on the time and components used by the technicians during repair operations.
Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The recognition in the accounts of certain contractual agreements with customers envisages the recognition of revenue based on the progress of the activity, the determination of which is based on estimates of the costs incurred and at completion.

Costs

Costs are recognised in the year when they relate to goods and services sold or consumed during the same year or when it is not possible to identify their future use.

Labour costs comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions in compliance with national contracts of employment and current legislation.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis and consist of interests accrued on the net value of the related financial assets and liabilities, by using the effective interest rate.

For the purposes of preparing these consolidated financial statements, the Company recognised as financial expenses the costs incurred with credit institutions for the issue of guarantees required for the performance of multi-year work orders, previously shown as costs for services, as the Company believes that this classification better represents the economic substance of the case, which is the financial commitment made by the Group for the completion of work orders in progress. To make the data more comparable, the corresponding values for 2022 have also been reclassified using the same criteria.

Fair Value Measurement

Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - quoted prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than quoted prices included in Level 1 which can be observed, either directly or indirectly for the asset or liability to be measured;
- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

The fair value of financial instruments that do not have a quoted market price in an active market is determined by using measurement techniques based on a series of methods and assumptions related to market conditions at the end of the reporting year.

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises, coinciding with the time in which they are decided.

Income tax

Current taxation

Taxes reflect an estimate of the tax burden, determined by applying the laws and regulations in force and are valued at the amount expected to be recovered or paid to the tax authorities.
Current tax liabilities are calculated by using the rates in force or substantially approved at the end of the reporting year. Current tax liabilities are recorded in the current liabilities net of any paid tax advances.
Taxable income for tax purposes differs from the pre-tax profit or loss indicated in the income statement, because it excludes positive and negative components that will be taxable or deductible in other financial years and excludes items that will never be taxable or deductible.

Deferred taxes

Deferred taxes are calculated by applying the "liability method", on the temporary differences resulting at the end of the reporting year among the tax values used as a reference for assets and liabilities and their values indicated in the financial statements.
Deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax assets are recognised for all the temporary deductible differences and for retained tax assets and liabilities, insofar as the existence of appropriate future tax profits that can apply the use of the temporary deductible differences and of the retained tax assets and liabilities is likely.
The value to be stated in the financial statements for deferred tax assets is reviewed at the end of each reporting year and is reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available in the future for this tax credit to be used totally or partially. Deferred tax assets not recognised are reviewed every year at the end of the reporting year and are recognised to the extent that the pre-tax profit is probably sufficient to allow the recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the financial year in which such assets are sold or such liabilities are discharged, considering the rates in force and those already issued or substantially issued at the end of the reporting year.
Deferred tax assets and liabilities are recognised directly in the income statement, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also accounted for consistently without booking to the income statement.
Deferred tax assets and liabilities are offset, if there is a legal right to offset current tax assets against current tax liabilities, and the deferred taxes refer to the same tax entity and to the same tax authority.
Assets for deferred tax assets and liabilities for deferred tax liabilities are classified as non-current assets and liabilities.

Indirect taxes

Revenues, costs and assets are recognised net of value added tax with the exception of the case in which:

- such tax applied to the purchase of goods and services is not deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- they refer to trade receivables and payables for which the invoice has already been issued or received by including the value of the tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is recorded in the financial statement item other receivables or payables depending on the sign of the balance.
VAT related to invoicing to public bodies is paid to the Tax authority when the receivable is collected during suspended VAT, pursuant to Italian Presidential Decree no. 633/72 and subsequent amendments.

Earnings per share

The basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the outstanding shares during the year. For the purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified by assuming the conversion of all the potential dilutive shares. The net result is also adjusted to take account of the effects, net of tax, of the conversion.
The diluted earnings per share coincide with the basic earnings, since there are no outstanding shares or options other than ordinary shares.

2.3 Accounting standards, amendments and IFRS interpretations applied as from 1 January 2023

The accounting standards adopted for the preparation of the financial statements are the same as those adopted for the preparation of the financial statements for the year ended 31 December 2022, with the exception of the adoption as of 1 January 2023 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 2023 but have no impact on the Company's financial statements.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions apply with regard to the scope of application. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Contrary to the requirements of IFRS 4, which are largely based on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adjustment for contracts with direct participation characteristics (the variable commission approach)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

The amendments had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and by adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions.
The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to have an impact on the disclosure of accounting policies in the Group's consolidated annual financial statements.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and dismantling liabilities.
The amendments had no impact on the Company's financial statements.

2.4 Discretionary evaluation and significant accounting estimates

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these accounting estimates affects the book value of contingent assets and liabilities at the end of the reporting year as well as the amounts of income and expenses during the reporting year. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Summarised below are those accounting estimates used in the preparation of financial statements and interim reports that are considered critical because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. The Company based its estimates and assumptions on parameters available at the time of preparation of the financial statements. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

Deferred tax assets

Deferred tax assets are recognised for all the temporary differences and all retained tax losses, in so far as the existence of adequate taxable future profits for which such losses may be used is likely. Directors are requested a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the probable time in which it will reveal itself and the amount of taxable future profits as well as a future tax planning strategy.

Employee benefits

Post-employment benefit plans arising from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including, among others, discount rates, expected rates of salary increases, mortality rates, retirement dates and medical cost trends. Since these are long-term plans, such estimates are subject to a significant level of uncertainty and are sensitive to changes in hiring. All hires are reviewed every year.

Development costs

Development costs are capitalised on the basis of IAS 38 and are based on the fact that the directors' opinion on the technical feasibility and economic viability of the project is confirmed, so as to allow the recoverability of the capitalised costs. The directors must make assumptions on future cash flows expected from projects, discount rates to be applied and the periods during which the expected benefits reveal themselves in order to determine the values to be capitalised.

Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher value between its fair value deducted the selling costs and its value in use. Fair value less selling costs is equal to the amount obtainable from the sale of an asset or cash-generating unit in a free transaction between knowledgeable, willing parties, deducted from writing off costs. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the business plan of the next three years and do not include restructuring activities for which the Company has not yet committed to or significant future investments that will increase the results related activity included in the cash-generating unit evaluated. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected cash flows in the future and the growth rate used for extrapolation, as well as external variables that cannot be controlled, including exchange and interest rates, infrastructure investments in the countries where the Company operates, geopolitical or social factors with a local or global impact.

Reverse factoring

With regard to reverse factoring, the Company 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 Company's financial liabilities.

Revenues

The recognition in the accounts of certain contractual agreements with customers envisages the recognition of revenue based on the progress of the activity, the determination of which is based on estimates of the costs incurred and at completion. These estimates involve a technical recognition process of the order that involves subjective assessments of its completion.
Likewise, with reference to the typical cases for Tesmec in which there are machines completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Company, revenues are recognised if the following provisions of IFRS 15 are met, including those mentioned above, designed to understand the substance of the transaction at the end of the reporting year. The determination of these aspects necessarily involves a subjective assessment of the elements to be considered and their scope in relation to the transaction in question.

Lease – Estimate of the incremental borrowing rate

The Company may not easily determine the interest rate implicit in the lease and therefore uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate reflects what the group should have paid, and this requires an estimate to be made when no observable data exist or when rates need to be adjusted to reflect the terms and conditions of the lease.

Moreover, estimates are used for recognising the ECLs for trade receivables, provisions for product warranties, for risks and charges, for inventory obsolescence, amortisation, depreciation and write-downs of assets, as well as the fair value of financial instruments.

Estimates and assumptions are periodically revised and the effects of each change are immediately reflected in the income statement.
Lastly, in applying the accounting standards, the directors made decisions based on certain discretionary evaluations (excluding those involving estimates).

Classification of costs incurred for the issue of guarantees for the execution of multi-year contracts

Starting from financial year 2023, the Company reports among financial charges the costs incurred towards credit institutions for the issue of guarantees necessary for the execution of multi-year job contracts, previously reported as costs for services, believing that this classification allows better represent the economic substance of the case which is constituted by the financial commitment incurred by the Company for the completion of ongoing contracts. This reclassification resulted in lower operating costs of Euro 1,126 thousand and corresponding higher financial charges. In order to allow for better comparability of the data, it should be noted that the corresponding value of the previous year was equal to Euro 863 thousand. Therefore, the Operating Result for the 2022 financial year, with the values reclassified according to the same criteria, would have been equal to Euro 3,685 thousand.

Lease term of contracts containing an extension option (Company as lessee)

The Company determines the lease term as the non-cancellable period of the lease plus the periods covered by the option to extend the lease if there is reasonable certainty of exercising this option and the periods covered by the termination option, if there is reasonable certainty of not exercising this option. The Company has the option, for some of its leases, to extend the lease or terminate it early. The Company applies its own judgement in assessing whether there is reasonable certainty of exercising the renewal options and considers all the factors recognised that may give rise to an economic incentive to exercise the renewal options or to conclude the agreement. After the commencement date, the Company reviews its estimates of the lease term if a significant event or significant change occurs in circumstances under its control that may affect the ability to exercise (or not exercise) the renewal or early termination option.

3 Management of financial risks

Tesmec S.p.A. is exposed in varying degrees to financial risks related to the core business. In particular, the Company is exposed at the same time to the market risk (interest-rate risk and exchange-rate risk), liquidity risk and credit risk. The management of financial risks (mainly interest-rate risks) is carried out by the Company on the basis of guidelines defined by the Board of Directors. The purpose is to guarantee a liability structure always in equilibrium with the structure of the balance sheet assets, in order to keep a very sound balance sheet structure.
Forms of financing most commonly used are represented by:
- interest bearing medium/long-term financial payables with multiyear redemption plan, to cover the investments in fixed assets.
- short-term financial payables and bank overdrafts to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 3-month Euribor rates plus a spread that depends on the financial instrument used and on the rating of the Company.
Tesmec S.p.A. uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The Company does not apply the Cash Flow Hedge Accounting with reference to such positions, in that they do not meet the requirements provided in this regard by the IFRS standards.
The trading of derivative instruments with speculative purposes is not contemplated.

Management of the exchange-rate risk

Exchange-rate risk sensitivity of Tesmec S.p.A. is managed appropriately taking into consideration the overall exposure: within the general optimisation policy of financial resources, the Company pursues an equilibrium resorting to less expensive forms of financing.

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

As at 31 December 2023, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in *interest-bearing financial payables* (current portion) due to fluctuating market rates. The notional value of these positions is equal to Euro 9.4 million, with a positive equivalent value of Euro 335 thousand.

As at 31 December 2022, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in *interest-bearing financial payables* (current portion) due to fluctuating market rates. The notional value of these positions is equal to Euro 14.94 million, with a positive equivalent value of Euro 753 thousand.

The short-term portion of interest bearing financial payables (current portion), which is mainly used to finance working capital requirements, is not subject to interest-rate risk hedging.

The cost of bank borrowing is benchmarked to the Euribor/Libor rate plus a spread that depends on the type of credit line used and is the same by type of line. The applied margins can be compared to the best market standards. The interest rate risk to which the Company is exposed is mainly originated from existing financial payables.

The main sources of exposure of the Company to the interest-rate risk refer to existing interest bearing medium/long-term financial payables (current portion) and interest bearing short-term financial payables and to the existing derivative instruments. In particular, the potential impacts on the Income Statement of the 2023 financial year (compared to 2022) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2023 financial period.
- potential change in fair value of existing derivative instruments.

The potential changes in fair value of the effective component of existing hedging derivative instruments affect shareholders' equity.

The Company estimated the potential impacts on the income statement and on shareholders' equity of the 2023 financial year (compared to 2022) produced by a simulation of the change in the term structure of the interest rates, by using internal measurement models, based on the general acceptance approach. In particular:

- for loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates, applied only to the cash flows to be settled during the 2023 financial year (compared to 2022).
- for derivative instruments, by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates.

With reference to the situation as at 31 December 2023, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2024 financial year of Euro 109 thousand, offset by an increase of Euro 4 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses for 2024 of Euro 33 thousand, more than offset by a decrease of Euro 1 thousand in the collected spread for the existing derivatives.

With reference to the situation as at 31 December 2022, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2023 financial year of Euro 85 thousand, offset by an increase of Euro 8 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses for 2023 of Euro 25 thousand, more than offset by a decrease of Euro 2 thousand in the collected spread for the existing derivatives.

	Interests					
	31 December 2023			31 December 2022		
(Euro in thousands)	**Residual debt**	**Impact on IS +100 bps**	**Impact on IS -30 bps**	**Residual debt**	**Impact on IS +100 bps**	**Impact on IS -30 bps**
Borrowings/Bond issue	143,438	(109)	33	134,656	(85)	25
Total Loans	**143,438***	**(109)**	**33**	**134,656***	**(85)**	**25**
(Euro in thousands)	**Notional**	**Impact on IS +100 bps**	**Impact on IS -30 bps**	**Notional**	**Impact on IS +100 bps**	**Impact on IS -30 bps**
Derivative instruments hedging cash flows	9,356	4	(1)	14,937	8	(2)
Total Derivative instruments	**9,356**	**4**	**(1)**	**14,937**	**8**	**(2)**
Total		**(105)**	**32**		**(77)**	**23**

* The residual debt is considered before amortised costs.

(Euro in thousands)	Notional value	Net FV	Net FV +100 bps	Net FV +100 bps	Impact on IS +100 bps	Impact on SE +100 bps	Net FV -30 bps	Net FV -30 bps	Impact on IS - 30 bps	Impact on SE - 30 bps
	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2023									
Derivative instruments hedging cash flows	9,356	335	336	338	(414)	-	334	332	(419)	-
Total	**9,356**	**335**	**336**	**338**	**(414)**	**-**	**334**	**332**	**(419)**	**-**
	Financial year ended 31 December 2022									
(Euro in thousands)	**Notional value**	**Net FV**	**Net FV +100 bps**	**Net FV +100 bps**	**Impact on IS +100 bps**	**Impact on SE +100 bps**	**Net FV -30 bps**	**Net FV -30 bps**	**Impact on IS - 30 bps**	**Impact on SE - 30 bps**
Derivative instruments hedging cash flows	14,937	753	(755)	(761)	(761)	-	755	761	761	-
Total	**14,937**	**753**	**(755)**	**(761)**	**(761)**	**-**	**755**	**761**	**761**	**-**

With reference to the situation as at 31 December 2023, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 414 thousand, with an impact only on the Income statement of the 2024 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in an increase in the asset value of the existing hedging derivative instruments of around Euro 334 thousand, with an impact only on the Income Statement of the 2024 financial year.

With reference to the situation as at 31 December 2022, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 761 thousand, with an impact only on the Income statement of the 2023 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in an increase in the asset value of the existing hedging derivative instruments of around Euro 755 thousand, with an impact only on the Income Statement of the 2023 financial year.

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 12 months.

Credit risk management

The company has a very fragmented customer structure as they are mostly end consumers. Furthermore, the forms of collection envisaged mostly include advance payments of the supply or in any case a deposit never less than 30% of the sale. This structure eliminates credit risk; the validity of this approach is supported by the small consistency compared to the amount of annual sales of loans to customers at the end of the financial year. There are no significant concentrations of credit risk exposure to individual debtors to report.

Management of liquidity risk

The Company manages the liquidity risk by controlling strictly the elements forming the working capital and in particular trade receivables and payables.
The Company tends to obtain upstream a good cash generation in relation to sales and then use it for paying the suppliers without compromising the short-term balance of the treasury and avoid problems and tensions in current liquidity.

The stratification of existing liabilities with reference to 2023 and to 2022 financial years, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2023						
	Financial payables		Bonds		Trade payables	Financial instruments	Total
	Capital	Interests	Capital	Interests			
(Euro in thousands)	a	b	c	d	e	f	g=a+b+c+d+e+f
Within 12 months	71,933	3,764	1,246	33	46,657	-	**123,633**
Between 1 and 2 years of age	29,168	2,657	-	-	-	(170)	**31,655**
Between 2 and 3 years of age	25,159	3,615	-	-	-	-	**28,774**
Between 3 and 4 years of age	10,806	722	-	-	-	(165)	**11,363**
Between 4 and 5 years of age	4,861	189	-	-	-	-	**5,050**
Over 5 years	265	5	-	-	-	-	**270**
Total	**142,192***	**10,952**	**1,246**	**33**	**46,657**	**(335)**	**200,745**

* The residual debt is considered before amortised costs.

Maturity	31 December 2022						
	Financial payables		Bonds		Trade payables	Financial instruments	Total
	Capital	Interests	Capital	Interests			
(Euro in thousands)	a	b	c	d	e	f	g=a+b+c+d+e+f
Within 12 months	56,603	3,053	3,716	301	40,277	-	**103,950**
Between 1 and 2 years of age	23,540	2,307	1,247	33	-	-	**27,127**
Between 2 and 3 years of age	21,097	1,636	-	-	-	(441)	**22,292**
Between 3 and 4 years of age	19,619	899	-	-	-	(312)	**20,206**
Between 4 and 5 years of age	5,986	306	-	-	-	-	**6,292**
Over 5 years	2,848	8	-	-	-	-	**2,856**
Total	**129,693***	**8,209**	**4,963**	**334**	**40,277**	**(753)**	**182,723**

* The residual debt is considered before amortised costs.

The estimate of expected future expenses implicit in loans and of expected future differentials implicit in derivative instruments was determined on the basis of the term structure of interest rates in Euro existing at the reporting dates (31 December 2023 and 31 December 2022).

Management of the exchange-rate risk

The Company is exposed to exchange-rate fluctuations of the currencies in which the sales to foreign customers are paid (US Dollars, South African Rand, Australian dollars, Chinese renminbi, Russian Rouble). This risk is expressed if the equivalent value in Euro of revenues decreases following negative exchange-rate fluctuations, thereby preventing the Company from achieving the desired margin. This risk is increased due to the relevant time interval between the moment in which the prices of a shipment are fixed and the moment in which the costs are converted in Euro.

The potential impacts on the Income Statement of the 2023 financial year (compared to 2022 when available) referable to the exchange-rate risk are determined by the revaluation/write-down of asset and liability items in foreign currency.

The Company estimated the potential impacts on the Income Statement of the 2023 financial year (compared to 2022) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

Exposure with regard to equity items	2023 Exposure in foreign currency (USD)			2023 Sensitivity	
	Assets (USD/000)	Liabilities (USD/000)	Net (USD/000)	Income statement EUR/USD exchange rate +5% (EUR/000)	Income statement EUR/USD exchange rate -5% (EUR/000)
Trade receivables	10,689	-	10,689	(484)	484
Trade payables	-	(2,996)	(2,996)	136	(136)
Financial receivables	7,611	-	7,611	(344)	344
Total gross exposure with regard to equity items	**18,300**	**(2,996)**	**15,304**	**(692)**	**692**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (USD)			2022 Sensitivity	
	Assets (USD/000)	Liabilities (USD/000)	Net (USD/000)	Income statement EUR/USD exchange rate +5% (EUR/000)	Income statement EUR/USD exchange rate -5% (EUR/000)
Trade receivables	15,847	-	15,847	(743)	743
Financial receivables	-	(2,413)	(2,413)	113	(113)
Trade payables	2,862	-	2,862	(134)	134
Total gross exposure with regard to equity items	**18,709**	**(2,413)**	**16,296**	**(764)**	**764**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (ZAR)			2023 Sensitivity	
	Assets (ZAR/000)	Liabilities (ZAR/000)	Net (ZAR/000)	Income statement EUR/ZAR exchange rate +5% (EUR/000)	Income statement EUR/ZAR exchange rate -5% (EUR/000)
Trade receivables	40,873	-	40,873	(100)	100
Financial receivables	-	-	-	-	-
Trade payables	85,568	-	85,568	(210)	210
Total gross exposure with regard to equity items	**126,441**	**-**	**126,441**	**(310)**	**310**
Derivative instruments					

Exposure with regard to equity items	2022 Exposure in foreign currency (ZAR)			2022 Sensitivity	
	Assets (ZAR/000)	Liabilities (ZAR/000)	Net (ZAR/000)	Income statement EUR/ZAR exchange rate +5% (EUR/000)	Income statement EUR/ZAR exchange rate -5% (EUR/000)
Trade receivables	4,560	-	4,560	(13)	13
Financial receivables	-	-	-	-	-
Trade payables	79,585	-	79,585	(220)	220
Total gross exposure with regard to equity items	**84,145**	**-**	**84,145**	**(233)**	**233**
Derivative instruments					

Exposure with regard to equity items	2023 Exposure in foreign currency (AUD)			2023 Sensitivity	
	Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	Income statement EUR/AUD exchange rate +5% (EUR/000)	Income statement EUR/AUD exchange rate -5% (EUR/000)
Trade receivables	4,323	-	4,323	(133)	133
Trade payables	-	(8)	(8)	-	-
Financial receivables	29,345	-	29,345	(902)	902
Total gross exposure with regard to equity items	**33,668**	**(8)**	**33,660**	**(1,035)**	**1,035**
Derivative instruments					

Exposure with regard to equity items	2022 Exposure in foreign currency (AUD)			2022 Sensitivity	
	Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	Income statement EUR/AUD exchange rate +5% (EUR/000)	Income statement EUR/AUD exchange rate -5% (EUR/000)
Trade receivables	3,961	-	3,961	(126)	126
Financial receivables	-	(40)	(40)	1	(1)
Trade payables	22,273	-	22,273	(710)	710
Total gross exposure with regard to equity items	**26,234**	**(40)**	**26,194**	**(835)**	**835**
Derivative instruments					

Exposure with regard to equity items	2023 Exposure in foreign currency (CNY)			2023 Sensitivity	
	Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	1,007	-	1,007	(6)	6
Financial receivables	1,087	-	1,087	(7)	7
Trade payables	8,823	-	8,823	(56)	56
Total gross exposure with regard to equity items	**10,917**	**-**	**10,917**	**(69)**	**69**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (CNY)			2022 Sensitivity	
	Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	349	-	349	(2)	2
Financial receivables	349	-	349	(2)	2
Trade payables	9,303	-	9,303	(63)	63
Total gross exposure with regard to equity items	**10,001**	**-**	**10,001**	**(67)**	**67**
Derivative instruments					

Exposure with regard to equity items	2023 Exposure in foreign currency (RUB) Assets (RBL/000)	Liabilities (RBL/000)	Net (RBL/000)	2023 Sensitivity Income statement EUR/RBL exchange rate +5% (EUR/000)	Income statement EUR/RUB exchange rate -5% (EUR/000)
Trade receivables	-	-	-	-	-
Financial receivables	49,737	-	49,737	(25)	25
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**49,737**	**-**	**49,737**	**(25)**	**25**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (RUB) Assets (RBL/000)	Liabilities (RBL/000)	Net (RBL/000)	2022 Sensitivity Income statement EUR/RBL exchange rate +5% (EUR/000)	Income statement EUR/RUB exchange rate -5% (EUR/000)
Trade receivables	-	-	-	-	-
Financial receivables	47,684	-	47,684	(33)	33
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**47,684**	**-**	**47,684**	**(33)**	**33**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (NZD) Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	2023 Sensitivity Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	62	-	62	(2)	2
Financial receivables	-	-	-	-	-
Trade payables	2,042	-	2,042	(58)	58
Total gross exposure with regard to equity items	**2,104**	**-**	**2,104**	**(60)**	**60**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2022 Exposure in foreign currency (NZD) Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	2022 Sensitivity Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	31	-	31	(1)	1
Financial receivables	-	-	-	-	-
Trade payables	401	-	401	(12)	12
Total gross exposure with regard to equity items	**432**	**-**	**432**	**(13)**	**13**
Derivative instruments	-	-	-	-	-

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 30-60-90 days, consistent with the expected duration of exposures.

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

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

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

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

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

	31 December	
(Euro in thousands)	**2023**	**2022**
NON-CURRENT ASSETS:		
Receivables and other financial assets	22,166	22,383
Derivative financial instruments	335	753
CURRENT ASSETS:		
Trade receivables	42,406	44,411
Financial receivables	60,419	44,439
Cash and cash equivalents	22,284	19,616

	31 December	
(Euro in thousands)	**2023**	**2022**
NON-CURRENT LIABILITIES:		
Medium/long-term loans	63,318	66,573
Non-current bond issue	-	1,246
Non-current financial liabilities and rights of use	6,884	6,391
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	69,201	53,921
Current financial liabilities and rights of use	2,664	2,616
Current bond issue	1,246	3,716
Trade payables	46,657	40,277
Advances from customers	418	4,106

The following table shows the book values for each class of financial assets and liabilities:

(Euro in thousands)	**Loans and receivables/payables at amortised cost**	**Guarantee deposits**	**Cash and cash equivalents**	**Available-for-sale financial assets**	**Fair value recognised in the income statement**
Financial assets:					
Financial receivables from third parties	4,017	-	-	-	-
Financial receivables from related parties	18,145	4	-	-	-
Derivative financial instruments	-	-	-	-	335
Total non-current	**22,162**	**4**	**-**	**-**	**335**
Trade receivables	13,909	-	-	-	-
Trade receivables from related parties	28,497	-	-	-	-
Financial receivables from third parties	4,283	-	-	-	-
Financial receivables from related parties	56,136	-	-	-	-
Cash and cash equivalents	-	-	22,284	-	-
Total current	**102,825**	**-**	**22,284**	**-**	**-**
Total	**124,987**	**4**	**22,284**	**-**	**335**

Financial liabilities:					
Medium/long-term loans	61,419	-	-	-	-
Medium/long-term loans due to related parties	1,899	-	-	-	-
Non-current financial liabilities from rights of use	6,884	-	-	-	-
Total non-current	**70,203**	**-**	**-**	**-**	**-**
Interest-bearing financial payables (current portion)	68,999	-	-	-	-
Interest-bearing financial payables (current portion) due to related parties	202	-	-	-	-
Current financial liabilities from rights of use	2,664	-	-	-	-
Current bond issue	1,246	-	-	-	-
Trade payables	37,897	-	-	-	-
Trade payables due to related parties	8,760	-	-	-	-
Advances from customers	418	-	-	-	-
Total current	**120,187**	**-**	**-**	**-**	**-**
Total	**190,390**	**-**	**-**	**-**	**-**

Disclosures: hierarchy levels of fair value measurement

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

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

The following table shows the assets and liabilities that are measured at fair value as at 31 December 2023, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 December 2023**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	335	-	335	-
Total non-current	**335**	**-**	**335**	**-**
Derivative financial instruments	-	-	-	-
Total current	**-**	**-**	**-**	**-**
Total	**335**	**-**	**335**	**-**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Total non-current	**-**	**-**	**-**	**-**
Derivative financial instruments	-	-	-	-
Total current	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**

COMMENTS ON THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Non-current assets

4 Intangible assets

The breakdown of *Intangible assets* as at 31 December 2023 and as at 31 December 2022 is indicated in the table below:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. amort.	Net value	Historical cost	Accum. amort.	Net value
Start-up and expansion costs	12	(3)	9	12	-	12
Development costs	30,643	(27,213)	3,430	29,156	(25,726)	3,430
Rights and trademarks	6,944	(4,917)	2,027	6,148	(4,149)	1,999
Other intangible assets	701	(10)	691	19	(3)	16
Assets in progress	5,078	-	5,078	2,809	-	2,809
Total intangible assets	**43,378**	**(32,143)**	**11,235**	**38,144**	**(29,878)**	**8,266**

The following table shows the changes in intangible assets for the year ended as at 31 December 2023:

(Euro in thousands)	1 January 2023	Increases	Decreases	Reclassifications	Amortisation	31 December 2023
Start-up and expansion costs	12	-	-	-	(3)	9
Development costs	3,430	582	(8)	914	(1,488)	3,430
Rights and trademarks	1,999	532	-	264	(768)	2,027
Other intangible assets	16	551	-	131	(7)	691
Assets in progress	2,809	3,528	(72)	(1,187)	-	5,078
Total intangible assets	**8,266**	**5,193**	**(80)**	**122**	**(2,266)**	**11,235**

As at 31 December 2023, intangible assets net of amortisation totalled Euro 11,235 thousand, up Euro 2,969 thousand on the previous year.
Increases for the year totalled Euro 5,193 thousand and consist in:

- assets in progress of Euro 3,528 thousand relating mainly to development projects in progress. These projects include the development of a new range of hybrid or electric-powered trencher machines to meet the increased sensitivity to environmental issues;
- development costs capitalised of Euro 582 thousand related to the development of new products and equipment that are expected to generate positive cash flows in future financial years, based on the requirements described in more detail in the section on the main accounting standards applied.

The recoverability of the intangible assets item depends on the production of positive cash flows directly attributable to the projects whose costs have been capitalized. These flows are incorporated into the 2023-2027 Business Plan, approved by the Board of Directors on 8 March 2024. Performances that differ from those envisaged in the Business Plan due to factors - endogenous or exogenous that cannot be controlled by the Group - could determine the need for write-downs , even significant ones, of intangible assets.

The impairment test carried out with reference to the CGU to which the Company belongs did not highlight any losses in value with reference to the intangible assets.

The following table shows the changes in intangible assets for the year ended as at 31 December 2022:

(Euro in thousands)	1 January 2022	Increases	Decreases	Reclassifications	Amortisation	31 December 2022
Start-up and expansion costs	-	12	-	-	-	12
Development costs	4,515	697	-	-	(1,782)	3,430
Rights and trademarks	2,603	326	(270)	-	(660)	1,999
Other intangible assets	-	19	-	-	(3)	16
Assets in progress	1,023	1,786	-	-	-	2,809
Total intangible assets	**8,141**	**2,840**	**(270)**	**-**	**(2,445)**	**8,266**

5 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2023 and as at 31 December 2022 is indicated in the table below:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	2,463	-	2,463	2,463	-	2,463
Buildings	3,507	(1,010)	2,497	3,473	(904)	2,569
Plant and machinery	12,181	(9,639)	2,542	11,043	(9,393)	1,650
Equipment	4,179	(3,992)	187	4,143	(3,983)	160
Other assets	2,660	(2,020)	640	2,449	(1,866)	583
Assets in progress	666	-	666	700	-	700
Total property, plant and equipment	**25,656**	**(16,661)**	**8,995**	**24,271**	**(16,146)**	**8,125**

The following table shows the changes in property, plant and equipment for the year ended 31 December 2023:

(Euro in thousands)	1 January 2023	Increases	Decreases	Reclassifications	Depreciation	31 December 2023
Land	2,463	-	-	-	-	2,463
Buildings	2,569	34	-	-	(106)	2,497
Plant and machinery	1,650	622	-	638	(368)	2,542
Equipment	160	111	-	-	(84)	187
Other assets	583	271	(51)	-	(163)	640
Assets in progress	700	687	(3)	(718)	-	666
Total property, plant and equipment	**8,125**	**1,725**	**(54)**	**80**	**(721)**	**8,995**

As at 31 December 2023, property, plant and equipment totalled Euro 8,995 thousand, up compared to the previous year by Euro 870 thousand.
Increases for the year amount to Euro 1,725 thousand and mainly refer for Euro 700 thousand to the new photovoltaic system of the Grassobbio factory.

The impairment test carried out with reference to the CGU to which the Company belongs did not highlight any losses in value with reference to the tangible assets.

The following table shows the changes in property, plant and equipment for the year ended 31 December 2022:

(Euro in thousands)	1 January 2022	Increases	Decreases	Reclassifications	Depreciation	31 December 2022
Land	2,463	-	-	-	-	2,463
Buildings	2,602	70	-	-	(103)	2,569
Plant and machinery	1,608	284	-	117	(359)	1,650
Equipment	186	76	-	-	(102)	160
Other assets	750	345	(476)	227	(263)	583
Assets in progress	-	700	-	-	-	700
Total property, plant and equipment	**7,609**	**1,475**	**(476)**	**344**	**(827)**	**8,125**

6 Rights of use

The breakdown in *Rights of use* as at 31 December 2023:

	31 December					
	2023			2022		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	14,968	(9,771)	5,197	14,968	(7,803)	7,165
Plant and machinery - Rights of use	1,662	(96)	1,566	107	(43)	64
Equipment - Rights of use	1,310	(71)	1,239	28	(25)	3
Other assets - Rights of use	3,206	(1,780)	1,426	3,223	(2,043)	1,180
Total rights of use	**21,146**	**(11,718)**	**9,428**	**18,326**	**(9,914)**	**8,412**

The following table shows the changes in rights of use for the year ended 31 December 2023:

(Euro in thousands)	1 January 2023	Increases	Decreases	Reclassifications	Depreciation	31 December 2023
Industrial Buildings - Right of use	7,165	-	-	-	(1,968)	5,197
Plant and machinery - Rights of use	64	1,631	-	(42)	(87)	1,566
Equipment - Rights of use	3	1,282	-	-	(46)	1,239
Other assets - Rights of use	1,180	1,193	(251)	-	(696)	1,426
Total rights of use	**8,412**	**4,106**	**(251)**	**(42)**	**(2,797)**	**9,428**

As at 31 December 2023, rights of use totalled Euro 9,428 thousand, up compared to the previous year by Euro 1,016 thousand.
The increases for the year amounted to Euro 4,186 thousand and refer for Euro 1,631 thousand to the signing of new lease contracts for the purchase of new equipment at the Grassobbio plant.

The impairment test carried out with reference to the CGU to which the Company belongs did not highlight any losses in value with reference to the tangible assets.

The following table shows the changes in rights of use for the year ended 31 December 2022:

(Euro in thousands)	1 January 2022	Increases	Decreases	Reclassifications	Depreciation	31 December 2022
Industrial Buildings - Right of use	9,104	26	-	-	(1,965)	7,165
Plant and machinery - Rights of use	200	-	-	(117)	(19)	64
Equipment - Rights of use	10	-	-	-	(7)	3
Other assets - Rights of use	1,886	175	-	(227)	(654)	1,180
Total rights of use	**11,200**	**201**	**-**	**(344)**	**(2,645)**	**8,412**

7 Equity investments in subsidiaries, associates and joint ventures

The breakdown of *Equity investments in subsidiaries, associates and joint ventures* as at 31 December 2023 and 2022 is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Subsidiaries:		
Tesmec USA, Inc.	21,261	21,261
Tesmec SA	6,296	6,296
East Trenchers S.r.l.	265	265
Tesmec Automation S.r.l.	4,776	4,776
Tesmec Peninsula WLL	808	798
Tesmec Saudi Arabia	7,822	7,813
OOO Tesmec RUS	11	11
Tesmec New Technology (Beijing) LTD	400	200
Marais Technologies SA	10,814	10,814
Tesmec Australia Ltd.	3,766	3,766
Bertel S.r.l.	4,293	4,293
Tesmec Rail S.r.l.	5,606	5,606
4Service S.r.l.	9,721	9,721
Total equity investments in subsidiaries	**75,839**	**75,620**

Equity investments in subsidiaries increased by Euro 219 thousand mainly due to the share capital increase of Tesmec New Technology (Beijing) LTD.

The following table shows the main financial statement items of subsidiaries:

	31 December 2023						
(Euro in thousands)	**% held**	**Revenues**	**Net result**	**Assets**	**Liabilities**	**Shareholders' Equity**	**Book value**
Subsidiaries:							
Tesmec USA, Inc.	100.00%	39,893	(1,023)	57,345	36,958	20,387	21,261
Tesmec SA	51.00% (1)	3,408	(157)	7,933	4,594	3,339	6,296
East Trenchers S.r.l.	100.00%	631	192	794	521	273	265
Tesmec Automation S.r.l.	100.00%	24,772	392	41,787	40,303	1,484	4,776
Tesmec Peninsula WLL	49.00% (3)	11,784	524	11,353	9,505	1,848	808
Tesmec Saudi Arabia	65.00%	12,743	1,032	13,349	6,388	6,961	7,822
OOO Tesmec RUS	100.00%	503	(683)	1,534	3,051	(1,517)	11
Tesmec New Technology (Beijing) LTD	100.00%	666	(184)	171	1,509	(1,338)	400
Marais Technologies SA	100.00%	-	(84)	17,445	2,551	14,894	10,814
Tesmec Australia Ltd.	51.00%(2)	18,084	(2,574)	14,309	24,311	(10,002)	3,766
Bertel S.r.l.	100.00%	-	310	1,485	26	1,459	4,293
Tesmec Rail S.r.l.	100.00%	47,245	2,993	86,881	70,346	16,535	5,606
4Service S.r.l.	100.00%	12,605	1,343	34,550	26,133	8,417	9,721

(1) 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.

(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 Australia (Pty) Ltd. is consolidated on a 100% basis.

(3) The remaining 51% is held by Fusion Middle East Services WLL. By virtue of de facto control for accounting purposes, the equity investment in Tesmec Peninsula WLL is consolidated at 99%.

In accordance with the requirements of IAS 36, the book value of equity investments was tested for impairment, which was specifically approved by the Board of Directors on 8 March 2024.

In particular, at the end of each reporting year, the Company verifies whether there is any indication that the value of investments may have suffered an impairment loss, thus estimating the recoverable amount of such assets in such circumstances. In assessing the existence of an indication that one or more investments may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group were considered. In particular, potential impairment indicators were identified in the changing market scenarios of the different and diversified geographical areas in which the Tesmec Group operates, together with the negative results in some cases of some subsidiaries, or the differentials between the higher book value of the equity investment and the corresponding fraction of shareholders' equity, as shown in the table above.

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

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

The impairment loss resulting from the impairment test is measured by the excess of the carrying amount of the asset over its recoverable amount.

For the purposes of carrying out the impairment test, certain shareholdings were considered jointly, where necessary, based on the subgroup to which they belong (Marais Technologies SAS, holding company of the Marais Group acquired in 2015) or belonging to the same CGU (as in the case of Tesmec USA and 4 Service USA, both based in Alvarado in the United States and operating in the trencher sector, one in sales, the other in rental and in the case of Temec Australia and its subsidiary Marais Laying NZ - New Zealand, both operating in the trencher sector). In other cases, each individual investment was subjected to impairment tests individually, depending on the different geographical area of reference or sector to which it belongs, which entail different specificities in terms of market and competitive factors.

The operating cash flows used for the purpose of impairment testing derive from the plans of the single Cash Generating Unit drawn up by the Management on the basis of the 2024 Budget and of the Business Plan 2024-2027, approved by the Board of Directors on 8 March 2024. The estimate of those cash flows includes assumptions of the Directors consistent with the strategy of the Tesmec Group in the individual businesses and markets in which it operates and also depends on external variables not subject to the management's control, such as exchange rate and interest rate trends, the supply cost trend including the cost of energy, the availability of raw materials and in general the absence of prolonged rigidity constraints in the supply chain and logistics, infrastructure investments in the countries where the group operates, macro political or social factors of local or global impact.

These external factors, in line with IAS 36, were estimated on the basis of the elements known at the end of the reporting year and, in the current context of uncertainty related to the increase in procurement costs and, more generally, to temporary difficulties in the supply chain, they incorporate the expectations of a gradual economic recovery that is not affected with reference to the medium/long-term prospects. Tesmec's operating sectors will be able to benefit from new investments and development policies aimed at strengthening the key infrastructures of the main countries and the Group's business is concentrated in strategic sectors that are extremely lively and have significant growth prospects. For a more complete analysis of the main risks and uncertainties to which Tesmec Group is exposed, please refer to paragraph 8 of the report on operations.

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

The weighted average cost of capital (WACC) used for discounting operating cash flows for the explicit period and for calculating the terminal value was determined differently depending on the country of reference of the cash-generating units, as detailed in the table below:

Controllate	31 December 2023	2022
Tesmec USA, Inc. e 4 Servuce USA (Stati Uniti)	13.70%	14.89%
Tesmec SA (Sud Africa)	19.00%	18,27%
Tesmec Automation S.r.l. e Bertel S.rl. (Italia) (*)	12.00%	11,35%
Tesmec New Technology (Beijing) LTD (Cina)	10.10%	10.15%
Marais Technologies SA (Francia)	12.40%	11.95%
Tesmec Australia (Australia) e Marais Laying NZ (Nuova Zelanda)	11.90%	11.48%
Tesmec Rail S.r.l. (Italia)	12.70%	11.29%
4 Service S.r.l. (Italia)	11.90%	11.79%
East Trenchers S.r.l. (Italia)	11.90%	11.79%
Tesmec Peninsula WLL (Qatar)	12.40%	12.06%
Tesmec Saudi Arabia (Arabia Saudita)	12.00%	15.68%

The estimate of the reference WACC compared with the same estimate made at 31 December 2022 generally highlights a decrease in the discount rates adopted.

To estimate the cash flows beyond the explicit forecast period, the terminal value was determined on the basis of a growth rate g from 1% to 5%, based on the reference CGU, in order to incorporate, at least in part, the higher medium-term inflation expectations compared to the previous year.

The application of the methodology described above led to the estimate of a value in use (or enterprise value) of the investments being tested which, added to the corresponding net financial position, determines the value of the economic capital (equity value) to be compared with the carrying value.

The outcome of the impairment test revealed no lasting losses in value.

Furthermore, it is noted that the equity value is higher than the corresponding book value, i.e. it is mainly made up of the discounting of the cash flows that make up the Terminal value, i.e. flows associated with distant periods in time, the achievement of which is characterized by a higher risk profile and more exposed to trends in uncontrollable exogenous variables that differ from those expected.

In this context, a sensitivity analysis was carried out to verify the change in the equity value of the individual cash generating units as the discount rate (the weighted average cost of capital, WACC) and the growth rate (g).

As a result of the sensitivity analyses, it is observed that a 2% increase in the WACC would not cause any impairment, just as the adoption of a growth rate g equal to zero would not cause any impairment with the exception of Tesmec South Africa, for which the sensitivity scenario adopted (1% decrease in g rate and 2% increase in WACC) would determine an impairment equal to approximately Euro 494 thousand, and of 4Service Italia, for which the sensitivity scenario adopted (1% decrease in g installments and increase in WACC of 2%) would determine an impairment equal to approximately Euro 1,135 thousand. When preparing the interim reports expected for the current financial year, as required by IAS 36, we will verify the existence of impairment indicators which could make it necessary to update the impairment test.

Performances that differ from those envisaged in the Business Plan due to factors - endogenous or exogenous that cannot be controlled by the Group - could determine the need for write-downs of the values recorded under the equity investments item for amounts even higher than those highlighted as a result of the sensitivity analyses.

The breakdown of equity investments in associates and joint ventures as at 31 December 2023 and 2022 is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Associates:		
Locavert SA	52	52
Subtotal	**52**	**52**
Joint Ventures:		
Condux Tesmec Inc	956	956
Subtotal	**956**	**956**
Total equity investments in associates	**1,008**	**1,008**

Equity investments in associates and joint ventures are unchanged from the previous year.

The following table shows the main financial statement items of associated companies and joint ventures:

	31 December 2023						
(Euro in thousands)	**% held**	**Revenues**	**Net result**	**Assets**	**Liabilities**	**Shareholders' Equity**	**Equity investment value in the Consolidated Financial Statements**
Associates:							
Locavert SA	38.63%	164	(22)	990	282	708	52
Joint Ventures:							
Condux Tesmec Inc.	50.00%	8,814	941	9,647	3,861	5,786	956

The Company holds equity investments in associates and joint ventures measured according to the cost method. As for subsidiaries, the Company measures at the end of each reporting year also for associates and joint ventures whether there is any indication that the value of investments may have suffered an impairment loss, thus estimating the recoverable amount of such assets in such circumstances. In assessing the existence of an indication that one or more investments may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group were considered. In particular, potential impairment indicators were identified in the changing market scenarios of the different and diversified geographical areas in which the Tesmec Group operates, together with the negative results in some cases of some associated companies or joint ventures, or the differentials present between the higher book value of the equity investment and the corresponding measurement according to the equity method (which corresponds to the book value in the consolidated financial statements), as shown in the table above.

With reference to the financial statements as at 31 December 2023, no impairment indicators were identified in relation to associates and joint ventures, and therefore no impairment test was carried out.

8. Financial receivables and other non-current financial assets

The following table sets forth the breakdown of the item *Financial receivables and other non-current assets* as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Guarantee deposits	4	4
Financial receivables from third-party customers	4,017	3,081
Financial receivables from related parties	18,145	19,298
Total financial receivables and other non-current financial assets	**22,166**	**22,383**

As at 31 December 2023, financial receivables and other non-current financial assets totalled Euro 22,166 thousand, down Euro 217 thousand on the previous financial year.

Financial receivables from third parties are shown net of a write-down of Euro 470 thousand due to the partial write-down of certain receivables from certain counterparties in the trencher segment operating in countries in the African area, whose positions had been the subject matter in previous years of the definition of financially onerous payment plans that were not fully or partially fulfilled. The residual balance of the financial positions related to these cases, net of recognised write-downs, amounted to Euro 1,149 thousand. In this regard, actions are underway to recover outstanding receivables as well as - more generally - to monitor the Group's exposure to this type of counterparty.

Current assets

9 Inventories

The following table provides a breakdown of the item *Inventories* as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Advances to Suppliers	213	64
Raw materials and consumables	27,983	30,655
Work in progress	1,704	4,097
Finished products and goods for resale	5,318	5,813
Total inventories	**35,218**	**40,629**

The measurement bases of inventories remained unchanged compared to the prior financial year. The item as a whole decreased by 13.3% compared to the prior financial year.

The changes in the provisions for inventory obsolescence for the years ended 31 December 2023 and 2022 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Value as at 1 January	3,910	3,760
Provisions	254	150
Uses	(491)	-
Total provisions for inventory obsolescence	**3,673**	**3,910**

The value of the provisions for inventory obsolescence decreased by Euro 237 thousand compared to the prior financial year. The adequacy of the provision is assessed on a regular basis to constantly monitor the actual level of inventories recovered through sales.

10 Trade receivables

The table below shows the breakdown of trade receivables as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Trade receivables from third-party customers	13,909	15,630
Trade receivables from related parties	28,497	28,781
Total trade receivables	**42,406**	**44,411**

For terms and conditions relating to receivables from related parties, refer to note 35.

Trade receivables as at 31 December 2023 amounted to Euro 42,406 thousand and decreased by Euro 2,005 thousand compared to the previous financial year.

The balance of trade receivables is shown net of provisions for doubtful accounts. This provision was calculated in an analytical manner by dividing the receivables in classes depending on the level of risk, by country and customer, and by applying to each class an expected percentage of loss derived from historical experience. This process was supplemented with additional considerations in line with the treatment of Expected Credit Losses under IFRS 9.

The changes in the provisions for doubtful accounts for the financial years ended 31 December 2023 and 2022 are indicated in the table below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Value as at 1 January	2,809	1,673
Provisions	251	400
Reclassification	(899)	818
Uses	(11)	(82)
Total provisions for doubtful accounts	**2,150**	**2,809**

The value of provisions for doubtful accounts decreased by a total of Euro 659 thousand compared to the prior financial year. Uses and provisions related to the provisions for doubtful accounts are included in "other operating (costs)/revenues, net" of the income statement.

11 Financial receivables and other current financial assets

The following table sets forth the breakdown of *financial receivables and other current financial assets* as at 31 December 2023 and 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Financial receivables from related parties	56,136	43,021
Other current financial assets	4,283	1,418
Total financial receivables and other current financial assets	**60,419**	**44,439**

The increase in *financial receivables and current financial assets* (Euro 15,980 thousand) is due for Euro 13,115 thousand to the increase in credit positions relating to specific contracts signed with the related parties on which an interest rate is applied and repayable within 12 months.

The main financial receivables and related interest rate applied are set below:

- Tesmec Australia Ltd. of Euro 17,956 thousand with annual interest rate of RBA 1.5% + spread of 3.02% or Interbank 3 months + spread of 3.5% depending on the nature of the transaction;
- Tesmec Automation S.r.l. of Euro 8,425 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Tesmec Rail S.r.l. of Euro 6,981 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%.

For terms and conditions relating to receivables from related parties, refer to note 35.

12 Other current assets

The following table sets forth the breakdown of *other current assets* as at 31 December 2023 and as at 31 December 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Prepaid expenses	1,326	1,131
Accrued income	-	18
VAT credit	-	576
Other tax receivables	703	601
Other receivables	339	259
Receivables from subsidiaries	1,281	2,840
Advance to suppliers for services	1,083	1,001
Total other current assets	**4,732**	**6,426**

Other current assets is considered receivable and therefore not subject to value adjustment; the item decreased by Euro 1,694 thousand compared to the previous financial period. This decrease is mainly related to the item "receivables from related parties" of Euro 1,559 thousand due to receivables deriving from the tax consolidation of Italian companies.

13 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Bank and post office deposits	22,269	19,592
Cash on hand	15	20
Other cash	-	4
Total cash and cash equivalents	**22,284**	**19,616**

Cash and cash equivalents are invested in short-term bank deposits and they are remunerated at a floating rate related to the Euribor trend. The balance as at 31 December 2023 amounted to Euro 22,284 thousand and increased by Euro 2,668 thousand.

The stated values can be readily converted into cash and are subject to a non-significant risk of change in value. The book value of cash and cash equivalents is deemed to be aligned to their fair value at the end of the reporting year. The Company believes that the credit risk related to cash and cash equivalents is limited since it mainly represents deposits divided across domestic and international banking institutions.

14 Shareholders' equity

Share capital and reserves

The *Share capital* amounts to Euro 15,702 thousand, fully paid up, and comprises 606,460,200 shares without par value.

The following table sets forth the breakdown of *Other reserves* as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Revaluation reserve	86	86
Extraordinary reserve	36,292	36,292
Reserve for first-time adoption of IFRS 9	(391)	(391)
Severance indemnity valuation reserve	(270)	(250)
Network reserve	754	754
Other reserves	804	(3,123)
Total other reserves	**37,275**	**33,368**

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

As a result of the resolution of 20 April 2023, with the approval of the 2022 financial statements, the Shareholders' Meeting decided to carry forward the profit for the year of Euro 3,927 thousand and allocate it to the legal reserve of Euro 207 thousand.

The reserve for first-time adoption of IFRS 9 refers to the net impact related to the adoption of the new standard. The Company attributed the largest allowance related to doubtful accounts applied to the decrease in equity reserves as at 1 January 2018 without restating the comparative data.

The Shareholders' Equity is therefore divided according to the origin, the possibility of usage, the related distributability and the actual usage in the 3 previous financial years.

Nature/description	Amount (Euro/000)	Possibility of usage	Amount available	Summary of uses in the last 3 periods	
				to cover losses	for other reasons
Share capital	15,702	B			
Equity reserves:					
Share premium reserve	39,215	A, B, C (*)	39,215	-	-
Reserve of Treasury Shares	(2,341)				
Earnings reserves:					
Legal reserve	2,349	B			
Revaluation reserve	86	A, B, C	86	-	-
Extraordinary reserve	36,292	A, B, C	36,292	-	-
Reserve for first-time adoption of IFRS 9	(391)				
Severance indemnity valuation reserve	(270)				
Network reserve	754				
Other reserves	804	B			
Profit/(loss) for the period	3,360				
Total	**95,560**		**75,593**	**-**	**-**

(*) Pursuant to Article 2431 of the Italian Civil Code, the whole amount of this reserve is distributable only if the legal reserve has reached the limit established in Article 2430 of the Italian Civil Code.

Legend:
A: To increase shareholders' equity
B: To cover losses
C: To distribute to shareholders

Non-current liabilities

15 Medium/long-term loans

Medium/long-term loans include medium/long-term loans from banks and payables towards other providers of finance. The following table shows the breakdown thereof as at 31 December 2023 and as at 31 December 2022, with separate disclosure of total loans and current portion:

	31 December			
(Euro in thousands)	2023	of which current portion	2022	of which current portion
Domestic fixed-rate bank loans	24,897	8,842	33,699	8,803
Domestic floating-rate bank loans	60,578	19,932	51,338	14,379
Shareholder loan	2,099	200	3,263	3,263
Total medium/long-term loans	**87,574**	**28,974**	**88,300**	**26,445**
less current portion	(28,974)		(26,445)	
Non-current portion of medium/long-term loans	**58,600**		**61,855**	
Medium/long-term loan due to Simest	4,718	-	6,118	1,400
less current portion	-		(1,400)	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**63,318**	**28,974**	**66,573**	**27,845**

Some loan contracts, the residual value of which at the end of the reporting year amounted to Euro 42.9 million, contain financial covenant provisions. In particular, they require that parameters, calculated on the basis of the financial statements of the Group, have to be met; they are verified on an annual basis and their non-compliance could result in the termination of the benefit of the time limit.

In general, covenants are based on compliance with certain levels, which differ between loan agreements, of the following ratios:

- Net Financial Position/EBITDA
- Net Financial Position/Shareholders' equity

As a result of the classification, which occurred starting from financial year 2023, among the financial charges of the costs incurred towards credit institutions for the issue of guarantees necessary for the execution of multi-year order contracts, previously shown as costs for services, the ratio between Net Financial Position / EBITDA subject to measurement with reference to the consolidated financial statements has undergone a decrease of approximately 4%.

Based on the results of the financial statements of the Company and of the Tesmec Group, the covenants relating to these loans were observed.

Prospectively, the Directors verified the Company's and the Group's ability to meet their obligations in the foreseeable future of at least 12 months and, in particular, the ability to comply, also for 2024, with the covenants related to the most relevant loans subject to this verification, developing for this purpose alternative forecast scenarios to take into account the effects of possible slowdowns in business compared to what is envisaged in the plan, due to the current macroeconomic context of volatility and uncertainty. As a result of this analysis, the Directors concluded that there are no significant uncertainties regarding compliance with the covenants under review and, consequently, the company's ability to continue as a going concern. Trends differing from company forecasts, with special reference to increases in procurement costs exceeding the scenarios of prudence incorporated in the aforementioned forecasts, could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with these covenants.

The payable to Simest S.p.A. of Euro 4,718 thousand consists of the amount relative to the capital shares held by Simest S.p.A. in the subsidiaries in Tesmec SA Ltd. (Pty) and Tesmec Australia Ltd. (Pty), which, by virtue of Tesmec's obligation to repurchase the corresponding shares at the expiry of the contract, are treated as a loan. For accounting purposes, the respective equity investments are 100% consolidated.

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

The table below shows the figures relevant to the Company's outstanding loans as at 31 December 2023, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Residual value as at 31 December 2023	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	24,897	8,842	16,055	-
Domestic floating-rate bank loans	60,578	19,932	40,446	200
Shareholder loan	2,099	200	1,899	-
Total	**87,574**	**28,974**	**58,400**	**200**

The shareholder loan was a transaction of greater importance and therefore approved by the Company's Control and Risk, Sustainability and Related Party Transactions Committee. This is a shareholder loan, renewed during 2023, with a duration of 36 months and bearing interest at an annual rate of 2%. As at 31 December 2023, the residual amount was Euro 2,099 thousand.

Net financial indebtedness

In accordance with the requirements of the ESMA 32-382-1138 communication of 4 March 2021 with document "ESMA 32- 382-1138" and incorporated by CONSOB in communication no. 5/21 of 29 April 2021, note that the Company's net financial indebtedness is as follows:

	31 December			
(Euro in thousands)	**2023**	***of which with related parties and group***	**2022**	***of which with related parties and group***
Cash and cash equivalents	(22,284)		(19,616)	
Current financial assets	(60,419)	*(56,136)*	(44,439)	*(43,021)*
Current financial liabilities	70,447	*202*	57,637	*3,788*
Current financial liabilities from rights of use	2,664		2,616	
Current portion of derivative financial instruments	-		-	
Current financial indebtedness	**(9,592)**	***(55,934)***	**(3,802)**	***(39,233)***
Non-current financial liabilities	63,318	*1,899*	67,819	-
Non-current financial liabilities from rights of use	6,884		6,391	
Non-current portion of derivative financial instruments				
Non-current financial indebtedness	**70,202**	***1,899***	**74,210**	**-**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**60,610**	***(54,035)***	**70,408**	***(39,233)***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2023, is equal to Euro 51,062 thousand with a decrease of Euro 10,339 thousand compared to the end of 2022.

Net indebtedness stood at Euro 60,610 thousand as at 31 December 2023, a decrease from Euro 70,408 thousand as at 31 December 2022.

We also report the following changes:

- decrease in current financial indebtedness of Euro 5,790 thousand due to the:
  - increase in cash and cash equivalents and current financial assets of Euro 18,648 thousand;
  - increase in current financial liabilities of Euro 12,810 thousand mainly due to the short-term reclassification to short-term of the portions to be reimbursed in 2024;
- decrease in medium/long-term financial indebtedness of Euro 4,008 thousand relating to the short-term reclassification of new loans.

Pursuant to "Guidance on Disclosure Requirements under the Prospectus Regulation" published by ESMA, it should be noted that the amounts relating to reverse factoring not included in the statement on indebtedness, in that the deferment is part of the Company's normal practice, amount to Euro 4,422 thousand.

16 Non-current bond issue

The item related to the non-current bond issue decreased by Euro 1,246 thousand as a result of the reclassification in the short term of the portion to be repaid during 2024 of the "Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment, and since the two-year pre-amortisation period has ended, the five-year amortisation plan is in progress and as at 31 December 2023 the residual debt is Euro 1,246 thousand.

The financial covenants relating to the bond issue have been met. Any failure to comply with these covenants, which in previous years had resulted in the step-up of the interest rate applied, would have no further effect on the outstanding bond issue.

17 Financial liabilities from rights of use

The item *Financial liabilities from rights of use* refers to the accounting required by IFRS 16 of the loan due to counterparties of the lease contracts. The following table sets forth the breakdown of the items as at 31 December 2023 and 2022:

(Euro in thousands)	31 December 2023	2022
Non-current financial liabilities from rights of use	6,884	6,391
Current financial liabilities from rights of use	2,664	2,616
Total financial liabilities from rights of use	**9,547**	**9,008**

Overall, financial liabilities from rights of use increased by Euro 539 thousand following the signing of new lease/rental contracts, mainly related to new machinery and equipment for the Grassobbio site.

18 Derivative financial instruments

The Company signed some contracts related to derivative financial instruments whose contractual characteristics and related fair value as at 31 December 2023 and 2022 are shown in the table below:

Counterparties	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal	Fair Value (Euro/000) as at 31 December 2023	2022
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01 February 2019	30 June 2025	428,571	12	31
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01 July 2020	30 June 2025	1,578,947	45	113
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18 May 2020	31 March 2025	4,166,666	113	298
INTESA	IRS	Fixed interest rate -0.18%	3-month Euribor	20 July 2021	30 June 2027	3,181,818	165	311
Assets for derivative instruments within the financial year							-	-
Assets for derivative instruments beyond the financial year							**335**	**753**
Liabilities for derivative instruments within the financial year							-	-
Liabilities for derivative instruments beyond the financial year							-	-

Tesmec S.p.A. uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The transactions for interest-rate risk hedging are mainly related to medium-term loans. The exchange-rate hedging transactions are related to commercial transactions.

The Company does not account for these financial instruments according to the methods established for hedge accounting since they do not meet all the requirements provided on this matter by the international accounting standards. Therefore, the changes in fair value of the financial instruments are attributed to the income statement during the financial year under review.

The financial management of the Company does not envisage the trading of derivative instruments with speculative purposes.

19 Employee benefit liability

The Company has no defined benefit pension plans in the strict sense. However, the severance indemnity fund required by Article 2120 of the Italian Civil Code, in terms of recognition in the financial statements, falls under this type and as such was accounted for, as shown in the applied accounting policies.
The following table shows the changes for the year ended 31 December 2023 and 31 December 2022 of employee benefits:

(Euro in thousands)	Financial year ended 31 December 2023	2022
Present value of the liability at the beginning of the period	1,239	1,594
Financial expense	43	14
Benefits paid	(112)	(221)
Financial loss (profit)	27	(148)
Present value of the liability at the end of the period	**1,197**	**1,239**

With the adoption of the IFRS, the severance indemnity is considered a defined-benefit liability to be accounted for in accordance with IAS 19 and, as a result, the relevant liability is measured based on actuarial techniques.
The main assumptions used in determining the present value of the severance indemnity are shown below:

Economic and financial technical bases

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Annual discount rate	3.20%	3.70%
Inflation rate	2.50%	2.50%
Total annual salary increase rate	3.30%	3.30%

The sensitivity analyses are shown below by using an annual discount rate of +0.5% and -0.5% compared to the annual discount rate used on the valuation date.

	Discount rate	
(Euro in thousands)	**0.50%**	**-0.50%**
Effect on the aggregate current cost of the service and of the financial expenses	43	33
Reported value for liabilities with respect to defined benefit plans	1,157	1,240

Technical and demographic bases

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Mortality	2004 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Retirement age	67 N/F	67 N/F

Frequency of turnover and advances on severance indemnity

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Advance frequency %	5.00%	5.00%
Turnover frequency %	6.20%	1.57%

Current liabilities

20 Interest-bearing financial payables (current portion)

The following table sets forth the breakdown of *Interest-bearing financial payables (current portion)* for the 2023 and 2022 financial years:

	31 December	
(Euro in thousands)	**2023**	**2022**
Advances from banks against invoices and bills receivables	35,285	21,735
Financial payables due from affiliated companies	202	3,754
Payables due to factoring companies	4,940	3,850
Financial payables due to SIMEST	-	1,400
Current portion of medium/long-term loans	28,774	23,182
Total interest-bearing financial payables (current portion)	**69,201**	**53,921**

The current portion of medium- and long-term loans increased mainly due to the reclassification to short-term of the portion contractually due after one year.
Payables due to factoring companies include both advances received for transfers with recourse of the Company's trade receivables and payables arising from supplies received and transferred using reverse factoring, the deferral conditions of which determine the representation of a financial liability.

21 Current bond issue

The item related to the current bond issue amounts to Euro 1,246 thousand and is related to the short-term portion of the "Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment.

22 Trade payables

The breakdown of *Trade payables* as at 31 December 2023 and as at 31 December 2022, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Trade payables due to third-parties	37,897	37,830
Trade payables due to related parties	8,760	2,447
Total trade payables	**46,657**	**40,277**

Trade payables as at 31 December 2023 increased compared to the previous financial year by Euro 6,380 thousand. This figure includes payables related to the normal course of business of the Company, in particular the purchase of raw materials and outsourced works.
This item also includes payables originating from supplies received and sold in accordance with the reverse factor that maintain commercial deferment conditions.
Note also that there are no payables with maturity exceeding five years at the above dates.

23 Income taxes payable

The breakdown of *Income taxes payable* as at 31 December 2023 and as at 31 December 2022, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2023**	**2022**
Current IRES tax liabilities	2,031	2,695
Current IRAP tax liabilities	273	194
Total income taxes payable	**2,304**	**2,889**

The item *IRES and IRAP taxes payable* as at 31 December 2023 includes the net payable due by the Company to the tax authorities for the payment of direct income taxes. Some overdue positions are being settled.

Domestic tax consolidation

The Company, as parent company, opted for the domestic tax consolidation system provided by Articles 117 et seq. of the Consolidated Act on Income Tax with the subsidiaries Tesmec Rail S.r.l., Tesmec Automation S.r.l., East Trenchers S.r.l. and Bertel S.r.l. for the 2023/2025 three-year period and with the subsidiary 4 Service S.r.l. for the 2021/2023 three-year period.
Consequently, in addition to the Parent Company Tesmec S.p.A., the investees Tesmec Rail S.r.l., Tesmec Automation S.r.l., East Trenchers S.r.l., Bertel S.r.l. and 4 Service S.r.l. are included in the tax consolidation for the 2023 financial year.
Specific consolidation agreements were signed with each subsidiary opting for the domestic tax consolidation

system, which regulate the timing and the methods for exchanging the information required to carry out the tax consolidation, the timing and methods for transferring resources among companies resulting from group taxation, as well as the methods for recognising the tax benefit to the companies that transfer, as part of the group taxation, tax losses, surpluses of non-deductible interest expenses and excess deduction to aid economic growth (A.C.E.).

These financial statements were affected by this institute in the following items:

- "Other current assets" of the statement of financial position, which includes the receivable of Euro 1,281 thousand from the following subsidiaries for the IRES tax pertaining to the latter:

Tesmec Rail S.r.l. – 2023 IRES	Euro	935 thousand
4 Service S.r.l. - 2023 IRES	Euro	312 thousand
East Trenchers S.r.l. – 2023 IRES	Euro	34 thousand
Total	Euro	1,281 thousand

- "Other current liabilities" of the statement of financial position, which includes the payable of Euro 33 thousand to the subsidiaries indicated below in connection with the recognition of the tax benefits deriving from the use of the tax losses and excess ACE deductions transferred to the tax consolidation:

Tesmec Automation S.r.l. – transfer of 2023 tax losses	Euro	22 thousand
Tesmec Automation S.r.l. – transfer of 2023 ACE deductions	Euro	7 thousand
Bertel S.r.l. - transfer of 2023 ACE deductions	Euro	4 thousand
Total	Euro	33 thousand

The tax result for the 2023 financial year referring to the tax consolidation consists, in summary, of the following:

	Financial year ended 31 December
(Euro in thousands)	**2023**
Tax income (loss) of the consolidating company Tesmec S.p.A.	3,267
Tax income (loss) of the consolidated company Tesmec Rail S.r.l.	3,897
Tax income (loss) of the consolidated company Tesmec Automation s.r.l.	(92)
Tax income (loss) of the consolidated company 4 Service s.r.l.	1,301
Tax income (loss) of the consolidated company East Trenchers S.r.l.	140
Tax income (loss) of the consolidated company Bertel S.r.l.	-
Total consolidated tax income (loss)	**8,513**
Use of excess ACE deductions	(46)
Group total net income	**8,467**

24 Provisions for risks and charges

Provisions for risks and charges mainly refers to the product guarantee fund. The calculation is based on a historical, statistical and technical analysis of the interventions under guarantee carried out on sales in prior financial years and includes both the cost of labour and that for spare parts used.
Changes in *Provisions for risks and charges* as at 31 December 2023 and 2022 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Value as at 1 January	460	425
Provisions	54	35
Uses	(80)	-
Value as at 31 December	**434**	**460**

The provision for the period is entirely related to cover the future work under guarantee.

25 Other current liabilities

The following table sets forth the breakdown of *Other current liabilities* as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Due to social security	2,247	1,484
Due to INAIL (National Insurance Institute for Industrial Accidents)	338	299
Due to trade funds	166	266
Due to employees and collaborators	2,482	2,191
Due to others	33	32
VAT debit	1,321	-
Payables due to related parties	33	295
Accrued expenses and liabilities	724	1,429
Total other current liabilities	**7,344**	**5,996**

Other current liabilities increased compared to the prior financial year of Euro 1,348 thousand and mainly refer to the increase in VAT Debit of Euro 1,321 thousand.

26 Taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2023 and 2022:

	31 December	
(Euro in thousands)	**2023**	**2022**
Deferred tax assets	6,752	5,581
Deferred tax liabilities	5,239	4,766

The breakdown of net deferred taxes as at 31 December 2023 and 2022 is shown in the following table by type by listing the items that present underlying temporary differences.

	31 December				Financial year ended 31 December	
	Statement of financial position		Shareholders' equity		Income statement	
(Euro in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Deferred tax assets						
Right of use translational leases	13	-	-	-	13	-
Obsolescence fund	1,025	1,091	-	-	(66)	42
Unrealised exchange-rate losses	4,911	3,687	-	-	1,224	1,167
Tax effect on UCC gain reversals	20	32	-	-	(12)	(11)
Provision for bad debts	317	323	-	-	(6)	21
Write-down of financial receivables	309	290	-	-	19	-
Other temporary differences	157	158	-	-	(1)	26
Tax losses carried forward	-	-	-	-	-	(408)
Total deferred tax assets	**6,752**	**5,581**	**-**	**-**	**1,171**	**837**
Deferred tax liabilities						
Unrealised exchange rate gains	(5,032)	(4,547)	-	-	(485)	(1,390)
Profits allocated to network reserve	(199)	(199)	-	-	-	-
Other temporary differences	(8)	(20)	6	(36)	6	(22)
Total deferred tax liabilities	**(5,239)**	**(4,766)**	**6**	**(36)**	**(479)**	**(1,412)**
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	**1,513**	**815**				
Represented in the income statement as follows:						
Deferred tax assets	**1,171**	**837**				
Deferred tax liabilities	**(479)**	**(1,412)**				
Deferred tax liabilities, net	**692**	**(575)**				

The possibility of recovering taxes is subject to the availability of future taxable income over the time horizon used by the Directors to formulate forecasts on the basis of the best information available at the date of approval of the financial statements, as well as in accordance with the applicable tax rules.
Current taxation

Profit before taxes and the allocation for income taxes for the financial years as at 31 December 2023 and 2022 are summarised below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Pre-tax profit/(loss)	**3,830**	**5,167**
Current taxation	(1,162)	(459)
Deferred tax liabilities/(assets)	692	(575)
Total taxes	**(470)**	**(1,034)**

The reconciliation between the nominal tax rate established by the Italian legislation and the effective tax rate resulting from the financial statements is set below:

		Financial year ended 31 December		
		2023		
(Euro in thousands)		**IRES**	**IRAP**	**Total**
Profit before tax	**A**	**3,830**	**3,830**	
Difference in taxable income between IRES and IRAP	B	-	2,896	
	C=A+B	3,830	6,726	
Nominal rate (%)	D	24.0%	3.9%	
Theoretical taxes	**E=C*D**	**919**	**262**	**1,182**
Tax effect on permanent differences	F	(778)	21	(757)
Tax effect on temporary differences	G	661	-	661
Tax effect on the re-absorption of temporary differences	H	(18)	(11)	(29)
Tax effect of energy saving deductions	I	(1)	-	(1)
Current taxation posted to the income statement	**L=E+F+G+H+I**	**783**	**272**	**1,056**
Deferred tax liabilities	M	479	-	479
Deferred tax assets	N	(1,181)	11	(1,170)
Taxes related to prior financial years	O	105	-	105
Income from tax consolidation	P	-	-	-
Aggregate tax posted to the income statement	**Q=I+L+M+N+O+P**	**186**	**283**	**470**

Comments to the main items in the income statement

27 Revenues from sales and services

In the 2023 and 2022 financial years, revenues from sales and services amounted to Euro 127,612 thousand and Euro 110,775 thousand respectively, an increase of 15.2%. The breakdown is set below:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Sales of products	124,310	103,405
Services rendered	3,302	7,370
Total revenues from sales and services	**127,612**	**110,775**

Revenues from *sales of goods* refer to transfer of machines and equipment for Energy, Trenchers and Rail.

28 Cost of raw materials and consumables

For the financial years as at 31 December 2023 and 2022, cost of raw materials and consumables amounted to Euro 74,031 thousand and Euro 59,877 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Cost for the purchase of raw materials and consumables	68,496	61,684
Change in inventories	5,535	(1,807)
Total cost of raw materials and consumables	**74,031**	**59,877**

Cost of raw materials and consumables increased more than proportionally compared to the increase in sales volumes, due to the different margins given by the different sales mix of the segments.

29 Costs for services

The table below shows the breakdown of *Costs for services* that amounted in 2023 and in 2022 to Euro 22,867 thousand and Euro 22,019 thousand, respectively.

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022 reclassified**
Transport, customs and incidental expenses	2,942	3,001
Outsourced work service	5,361	4,911
Services for legal, tax, technical and other consultancy	5,363	5,568
External production services	147	329
Banking services	589	648
Information systems services	924	-
Insurance	897	719
Energy, water, gas, telephone expenses and postage	1,030	1,768
Board and lodging expenses and travelling allowance	913	778
Directors' and Auditors' fees	349	960
Advertising and other selling expenses	1,020	588
Maintenance services	410	572
Commissions and additional expenses	2,056	764
Other general expenses	866	1,413
Total costs for services	**22,867**	**22,019**

In the face of an equal increase in turnover, there is a generalized reduction in some cost categories, the result of a careful cost containment policy.

30 Payroll costs

During the financial years ended 31 December 2023 and 31 December 2022, payroll costs amounted to Euro 23,911 thousand and Euro 21,973 thousand, respectively, with an increase of 8.8% due to the adjustment of the workforce.

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Wages and salaries	18,302	16,993
Social security charges	4,122	3,604
Employee severance indemnity	1,191	1,071
Other personnel costs	296	305
Total payroll costs	**23,911**	**21,973**

31 Other operating (costs)/revenues, net

During the financial years ended 31 December 2023 and 2022, *other operating (costs)/revenues, net* amounted to Euro 2,070 thousand and Euro 290 thousand, respectively.
The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Provisions for risks and other net provisions	240	400
Rents	231	431
Hiring	934	375
Sundry taxes	145	168
Other revenues	(5,325)	(3,609)
Income for Research and Development tax credits	(89)	(289)
Contingent assets/liabilities/losses	(366)	(199)
Other expenses	2,160	2,433
Total other operating revenues, net	**(2,070)**	**(290)**

The item *other operating (costs)/revenues, net* increased by Euro 1,780 thousand compared to the previous year, mainly due to the increase in the item "Other revenues" of Euro 1,716 thousand. This item includes revenues for chargebacks to subsidiaries for centrally incurred overhead costs.

The item Provisions for risks and other net provisions of Euro 240 thousand includes the provision to the allowance for doubtful receivables.

32 Amortisation and depreciation

During the financial years ended 31 December 2023 and 2022, amortisation and depreciation amounted to Euro 5,784 thousand and Euro 5,917 thousand respectively, in line with the previous financial year. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2023**	**2022**
Amortisation of intangible assets	2,266	2,445
Depreciation of property, plant and equipment	721	827
Depreciation of right of use	2,797	2,645
Total amortisation and depreciation	**5,784**	**5,917**

33 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2023 and 31 December 2022 amounted to Euro 4,224 thousand and Euro 2,406 thousand, respectively.
During the financial year, the increase in the item is related to the development of projects for the launch of new models and new functions requested by the markets in which the Company operates.
The percentage incidence on revenues of development costs capitalised increased from 2.2% for the 2022 financial year to 3.3% for the 2023 financial year.

34 Financial expenses

During the financial years ended 31 December 2023 and 2022, financial expenses amounted to Euro 15,967 thousand and Euro 15,881 thousand, respectively, with an increase of Euro 1,538 thousand. The breakdown of the item is as follows:

(Euro in thousands)	Financial year ended 31 December 2023	2022 reclassified
Bank interest expenses	87	-
Interests payable for factoring and billing discounts	743	910
Interests payable on interest-bearing medium/long-term loans and borrowings	5,487	3,515
Interests payable on advance loans on exports	1,298	349
Other sundry financial expenses	1,271	911
Financial expenses on rights of use	385	431
Realised foreign exchange losses	820	667
Unrealised foreign exchange losses	5,458	8,928
Fair value adjustment of derivative instruments	418	-
Provision for risks on financial receivables	-	170
Total financial expenses	**15,967**	**15,881**

The financial charges item shows an increase compared to the previous year of Euro 86 thousand mainly due to realized and unrealized exchange losses which amount to a total of Euro 6,278 thousand compared to a total of Euro 9,595 thousand in the previous year.
Furthermore, starting from the drafting of these financial statements, the Company presents among the financial charges the costs incurred towards credit institutions for the issue of guarantees necessary for the execution of multi-year job contracts, previously shown as costs for services, believing that this classification allows for a better representation of the economic substance of the case which is constituted by the financial commitment incurred by the Group for the completion of ongoing contracts.
This reclassification resulted in lower operating costs of Euro 1,126 and corresponding higher financial charges.
In order to allow for better comparability of the data, it should be noted that the corresponding value of the previous year was equal to Euro 863 thousand.

35 Financial income

During the financial years ended 31 December 2023 and 2022, financial income amounted to Euro 12,484 thousand and Euro 17,363 thousand, respectively. The breakdown of the item is as follows:

(Euro in thousands)	Financial year ended 31 December 2023	2022
Interests from banks	73	-
Realised foreign exchange gains	532	1,686
Unrealised foreign exchange gains	3,307	9,951
Fair value adjustment of derivative instruments	-	843
Sundry income	8,572	4,883
Total financial income	**12,484**	**17,363**

Financial income decreased by Euro 4,879 thousand mainly due to the decrease in exchange rate gains (realised and unrealised) of Euro 7,798 thousand due to a more unfavourable USD/EUR exchange rate trend.
Sundry income includes dividends approved in 2023 by the subsidiaries Tesmec Rail S.r.l. (for Euro 3,000 thousand) and 4 Service S.r.l. (for Euro 315 thousand).

36 Related party transactions

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

(Euro in thiusand)	31 December 2023								31 December 2022						
	Financial receivables and other non-current financial assets	Trade receiv.	Current financ. receiv.	Other current asset	Non current financ. payable	Current financ. payable	Trade payable	Other current liability	Financial receivables and other non-current financial assets	Trade receiv.	Current financ. receiv.	Other current asset	Current financ. payable	Trade payable	Other current liability
Subsidiaries:															
Tesmec USA Inc.	18.145	489	230	-	-	-	-	-	18.798	2.194	947	-	-	158	-
East Trencher S.r.l.	-	13	345	34	-	-	194	-	-	34	243	-	-	-	25
Tesmec Peninsula	-	496	4.924	-	-	-	1.437	-	-	7.172	57	-	-	113	-
Tesmec SA	-	2.009	2.310	-	-	-	-	-	-	254	2.832	-	-	6	-
Tesmec RUS	-	1.390	504	-	-	-	-	-	-	1.253	661	-	-	-	-
Bertel S.r.l.	-	2	-	-	-	2	-	4	-	5	39	-	-	-	14
Tesmec Automation S.r.l.	-	571	8.425	-	-	-	11	29	-	343	9.792	72	-	307	222
Tesmec New Technology (Beijing)	-	128	1.124	-	-	-	(191)	-	-	47	1.264	-	-	60	-
Tesmec Rail S.r.l.	-	9.510	6.981	935	-	-	-	-	500	9.038	4.503	2.636	-	122	-
4Service S.r.l.	-	173	4.742	312	-	-	5.896	-	-	216	-	132	491	459	34
Tesmec Saudi Arabia	-	3.416	-	-	-	-	75	-	-	1.765	11	-	-	37	-
4Service USA LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marais Technologies SAS	-	52	1.917	-	-	-	-	-	-	23	1.853	-	-	-	-
Group Marais SAS	-	1.334	1.805	-	-	-	223	-	-	1.902	3.043	-	-	60	-
Tesmec Australia Ltd.	-	2.656	17.956	-	-	-	5	-	-	2.525	14.170	-	-	26	-
Marais Laying Tech. Ltd. NZ	-	36	1.166	-	-	-	-	-	-	18	239	-	-	-	-
MIR SA	-	4	-	-	-	-	-	-	-	4	187	-	-	-	-
Marais Cote d'Ivoire	-	33	216	-	-	-	-	-	-	5	-	-	-	-	-
Tesmec Guinee	-	3.217	1.680	-	-	-	2	-	-	37	1.378	-	-	-	-
Tesmec Maroc SARL	-	42	-	-	-	-	(20)	-	-	-	-	-	-	-	-
Subtotal	**18.145**	**25.571**	**54.325**	**1.281**	**-**	**2**	**7.632**	**33**	**19.298**	**26.835**	**41.219**	**2.840**	**491**	**1.348**	**295**
Associates:															
Locavert S.A.	-	17	-	-	-	-	-	-	-	11	-	-	-	-	-
Subtotal	**-**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**-**	**-**	**-**	**-**
Joint Venture:															
Condux Tesmec Inc.	-	2.056	1.734	-	-	-	-	-	-	1.284	1.725	-	-	14	-
Subtotal	**-**	**2.056**	**1.734**	**-**	**-**	**-**	**-**	**-**	**-**	**1.284**	**1.725**	**-**	**-**	**14**	**-**
Related parties:															
Ambrosio S.r.l.	-	-	-	-	-	-	39	-	-	-	-	-	-	19	-
Dream Immobiliare S.r.l.	-	-	77	-	-	-	986	-	-	-	77	-	-	982	-
RX S.r.l.	-	6	-	-	213	-	16	-	-	-	-	-	213	12	-
TTC S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fi.ind.	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	-	739	-	-	1.686	200	87	-	-	650	-	-	3.050	72	-
ICS Tech. S.r.l.	-	100	-	-	-	-	-	-	-	1	-	-	-	-	-
TCB Sport S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**-**	**853**	**77**	**-**	**1.899**	**200**	**1.128**	**-**	**-**	**651**	**77**	**-**	**3.263**	**1.085**	**-**
Total	**18.145**	**28.497**	**56.136**	**1.281**	**1.899**	**202**	**8.760**	**33**	**19.298**	**28.781**	**43.021**	**2.840**	**3.754**	**2.447**	**295**

(Euro in thousands)	Financial year ended 31 December 2023					Financial year ended 31 December 2022				
	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
Subsidiaries:										
Tesmec USA, Inc.	13,522	(1,491)	(71)	160	578	9,672	(104)	(180)	501	640
East Trencher S.r.l.	2	-	(162)	12	19	33	-	(40)	10	8
Tesmec SA	2,098	-	-	10	252	565	(5)	(1)	10	195
Tesmec RUS	137	-	-	-	-	282	(252)	-	3	-
Tesmec Automation S.r.l.	91	-	-	244	718	159	-	-	175	377
Tesmec New Technology (Beijing)	88	(238)	(420)	1	106	8	(260)	(158)	2	77
Tesmec Rail S.r.l.	7,187	(324)	-	3,115	3,377	13,955	(717)	-	962	1,282
Tesmec Peninsula	2,979	(1,441)	(172)	6	101	7,671	-	(1,109)	14	76
Tesmec Saudi Arabia	5,121	-	(1,213)	15	-	902	(1)	(26)	-	50
Marais Technologies SAS	-	-	-	-	93	-	-	-	-	38
Group Marais SAS	2,387	(608)	(118)	138	249	4,251	(440)	(42)	920	44
Tesmec Australia Ltd.	3,736	-	(11)	39	1,436	2,092	-	(26)	27	890
Marais Laying Tech. Ltd. NZ	900	-	-	18	24	81	-	-	6	10
Marais Cote d'Ivoire	41	-	-	2	13	-	-	-	1	9
Marais Guinee SARLU	3,339	-	-	6	135	6	-	-	1	46
Bertel S.r.l.	-	-	-	2	2	-	-	-	3	9
4Service S.r.l.	1,234	(4,859)	-	(427)	339	819	-	-	(324)	(17)
4SERVICE USA LLC	-	-	-	7	-	1	-	-	35	-
MIR SA	-	-	-	-	-	-	-	-	-	-
Tesmec Maroc SARL	42	-	-	-	-	-	-	-	-	-
Subtotal	**42,904**	**(8,961)**	**(2,167)**	**3,348**	**7,442**	**40,497**	**(1,779)**	**(1,582)**	**2,346**	**3,734**
Associates:										
Locavert S.A.	113	-	-	-	-	808	-	-	-	-
Subtotal	**113**	**-**	**-**	**-**	**-**	**808**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	8,952	(2)	(1)	277	63	5,368	-	(14)	246	53
Subtotal	**8,952**	**(2)**	**(1)**	**277**	**63**	**5,368**	**-**	**(14)**	**246**	**53**
Related parties:										
Ambrosio S.r.l.	-	-	-	(4)	(3)	-	-	-	(4)	(3)
Dream Immobiliare S.r.l.	-	-	-	(222)	(266)	-	-	-	(11)	(342)
RX S.R.L.	-	-	-	5	(4)	-	-	-	-	(4)
TTC S.r.l.	-	-	(72)	16	-	-	-	(30)	-	-
Fi.ind.	-	-	-	7	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1,625	-	(12)	14	(79)	1,849	(8)	(2)	13	(76)
ICS Tech. S.r.l.	31	-	(8)	3	-	1	-	-	-	-
TCB Sport S.r.l.	-	-	-	2	-	-	-	-	-	-
Subtotal	**1,656**	**-**	**(92)**	**(179)**	**(352)**	**1,850**	**(8)**	**(32)**	**(2)**	**(425)**
Total	**53,625**	**(8,963)**	**(2,260)**	**3,446**	**7,153**	**48,523**	**(1,787)**	**(1,628)**	**2,590**	**3,362**

37 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2023:

Board of Directors				
Name and Surname	**Office**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees (in Euro)**
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	460,000	-	460,000
Gianluca Bolelli	Vice Chairman	104,000	-	104,000
Caterina Caccia Dominioni	Director	70,000	-	70,000
Lucia Caccia Dominioni	Director	30,000	-	30,000
Paola Durante	Director	50,000	-	50,000
Simone Andrea Crolla	Director	40,000	-	40,000
Emanuela Teresa Basso Petrino	Director	62,400	-	62,400
Guido Luigi Traversa	Director	40,000	-	40,000
Antongiulio Marti	Director	40,000	-	40,000
Nicola Iorio	Director	30,000	-	30,000

Board of Statutory Auditors				
Name and Surname	**Office**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees (in Euro)**
Simone Cavalli	Chairman	39,000	-	39,000
Attilio Massimo Marco Francozzi	Statutory Auditor	26,000	-	26,000
Laura Braga	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2023 financial year amounted to Euro 404 thousand (Euro 539 thousand in the 2022 financial year).

38 Summary statement of considerations to the Independent Auditors and to the entities belonging to their network

Pursuant to Article 149-*duodecies* of the CONSOB Issuer Regulation (Resolution no. 11971/1999 and subsequent amendments), the following table shows the fees charged in the financial statements ended 31 December 2023 and 2022 for auditing services and for services other than audit rendered by the Company Deloitte & Touche S.p.A.

(Euro in thousands)	**Independent Auditors that supplied the service**	**Receiver**	**Accrued amount 2023**	**Accrued amount 2022**
Audit of the financial statements and consolidated financial statements	Deloitte & Touche S.p.A.	Tesmec S.p.A.	199	150
Limited half-year auditing	Deloitte & Touche S.p.A.	Tesmec S.p.A.	32	28
Limited auditing of the consolidated non-financial statement	Deloitte & Touche S.p.A.	Tesmec S.p.A.	57	50
Certification services	Deloitte & Touche S.p.A.	Tesmec S.p.A.	25	42
Of which:				
4.0 training expense schedule			*2*	*2*
R&D expense schedule			*23*	*40*
Total			**313**	**270**

39 Legal and tax disputes

At the end of the reporting period, the Company had no civil or tax disputes.

40 Positions or transactions resulting from atypical and/or unusual operations

Note that, pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006, in 2023 the Company did not carry out any atypical and/or unusual operation, as defined by the Communication itself.

41 Commitments and risks

They include sureties, guarantees and third-party assets with the Company. For the financial years as at 31 December 2023 and 2022, they are summarised as follows:

	31 December	
(Euro in thousands)	**2023**	**2022**
Sureties	135,062	164,723
Total commitments and risks	**135,062**	**164,723**

The recorded value concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers and its subsidiaries. The increase is mainly due to the work orders of the newly set up Rail segment.
On the basis of the specific characteristics of the segments in which the Company works, Tesmec did not make any provision for contingent liabilities in the memorandum accounts. Risks and future expenses are reasonably hedged by funds specifically accounted for in the financial statements.

42 Significant events occurred after the reporting year

No significant events occurred after the reporting year.

It should be remembered that the transfer activities of the production of the stringing sector, from the Endine Gaiano plant whose rental contract had come to an end, to the Grassobbio production site continued in the first months of 2024, with production continuity.

Certificate of the Separate financial statements pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Ambrogio Caccia Dominioni and Ruggero Gambini, 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 financial statements during the 2023 financial year.

2. We also certify that:

2.1 the financial statements as at 31 December 2023:

   - have been prepared in accordance with IFRS as endorsed by the European Union, as provided by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the amounts shown in the Company's accounts, books and records;
   - provide a true and fair view of the financial position, the results of the operations and of the cash flows of the issuer.

2.2 the report on operations includes a reliable analysis of the business trend and operating result as well as of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 8 March 2024

Ambrogio Caccia Dominioni
Chief Executive Officer

Ruggero Gambini
Manager responsible for preparing the Company's financial statements

ENCLOSURES

Enclosure A

List of investments held as at 31 December 2023 by Tesmec S.p.A. and statement of changes during the financial year.
The following is the list of investments held as at 31 December 2023, which includes, under Article 126 of CONSOB Regulation no. 11971/99, the investments held in companies with unlisted shares or in limited liability companies, amounting to more than 10% of their capital.

CHANGES IN INVESTMENTS MADE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	31 December 2022		**Increases**	**Decreases**	**Other changes**	**31 December 2023**	
Company	%	Value	Cost	Cost	Write-down Revaluation	%	Value
Investments in consolidated subsidiaries							
Tesmec USA Inc.	100.00%	21,261,434	-	-	-	100.00%	21,261,434
OOO Tesmec Rus	100.00%	10,590	-	-	-	100.00%	10,590
Tesmec SA (Pty) Ltd.	51.00% (1)	6,295,785	-	-	-	51.00% (1)	6,295,785
East Trenchers S.r.l.	100.00%	265,000	-	-	-	100.00%	265,000
Tesmec Automation S.r.l.	100.00%	4,775,600	-	-	-	100.00%	4,775,600
Tesmec Peninsula WLL	49.00% (2)	798,273	9,360	-	-	49.00% (2)	807,633
Tesmec Saudi Arabia	65.00%	7,812,268	9,393	-	-	65.00%	7,821,661
4 Service S.r.l.	100.00%	9,721,252	-	-	-	100.00%	9,721,252
Tesmec New Technology (Beijing)	100.00%	200,000	200,000	-	-	100.00%	400,000
Marais Technologies	66.04% (4)	10,813,664	-	-	-	100.00%	10,813,664
Tesmec Australia (Pty) Ltd.	51.00% (3)	3,766,984	-	-	-	51.00% (3)	3,766,984
Bertel S.r.l.	100.00%	4,293,235	-	-	-	100.00%	4,293,235
Tesmec Rail S.r.l.	100.00%	5,605,882	-	-	-	100.00%	5,605,882
Total		**75,619,968**	**218,753**	**-**	**-**		**75,838,721**
Investments in associates consolidated under the equity method							
Locavert S.A.	38.63%	52,000	-	-	-	38.63%	52,000
Condux Tesmec Inc.	50.00%	955,763	-	-	-	50.00%	955,763
Total		**1,007,763**	**-**	**-**	**-**		**1,007,763**

(1) 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.

(2) The remaining 51% is held by Fusion Middle East Services WLL. By virtue of de facto control for accounting purposes, the equity investment in Tesmec Peninsula WLL is consolidated at 99%.

(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 investment in the subsidiary Tesmec Australia (Pty) Ltd. is consolidated on a 100% basis.

(4) The remaining 33.96% was held by Simest S.p.A. During 2023, the parent company Tesmec S.p.A. repurchased the share and now owns 100%.

NOTICE OF CALL

TESMEC S.P.A.

Registered office
Piazza Sant'Ambrogio, 16 – 20123 Milan
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152
Share capital Euro 15,702,162
Website: www.tesmec.com

CALL OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The persons legitimately entitled to attend and exercise voting rights are convened to the ordinary Shareholders' Meeting of Tesmec S.p.A. ("**Tesmec**" or "**Company**") at the Tesmec operational headquarters in Grassobbio (BG), Via Zanica 17/O 24050, on 18 April 2024 at 10:30 a.m. in single call to discuss and deliberate on the following:

AGENDA

Ordinary session

1. **Approval of the financial statements as at 31 December 2023 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including the consolidated non-financial statement; allocation of result for the period; related and consequent resolutions.**
   - 1.1 **Approval of the financial statements as at 31 December 2023 and the Board of Directors' report on operations;**
   - 1.2 **Allocation of profit or loss for the period.**
2. **Resolutions regarding the report on the policy of remuneration and compensation paid pursuant to Article 123-*ter* of Legislative Decree 58/1998 and Article 84-*quater* of CONSOB Regulation no. 11971/1999; related and consequent resolutions.**
   - 2.1 **Binding vote on the remuneration policy relating to 2024 illustrated in the first section of the report;**
   - 2.2 **Consultation on the second section of the report regarding the fees paid in 2023 or relating to them.**
3. **Authorisation to purchase and dispose of treasury shares; related and consequent resolutions.**

Extraordinary session

1. **Amendments to Article 5 and Article 9 of the Articles of Association in order to introduce the Increased Vote pursuant to Article *127-quinquies* of Legislative Decree No. 58/1998; related and consequent resolutions.**
2. **Amendments to the Chapter "Shareholders' Meeting" of the Articles of Association; related and consequent resolutions.**

Information in the share capital at the date of the call notice

The share capital of Tesmec totals Euro 15,702,162.00 represented by 606,460,200 ordinary shares with no nominal value. The shares are registered, indivisible, freely transferable and, pursuant to Article 9 of the Articles of Association, each share gives the right to one vote in the ordinary and extraordinary Shareholders' Meetings of the Company. At the time of this notice of call, the Company holds 4,711,879 treasury share.

Right to attend and vote at the Shareholders' Meeting

Pursuant to the law, those who have the right to vote may attend the Shareholder's Meeting. The right to attend and vote in the Shareholders' Meeting - which, as better specified below in this call notice in the paragraph "Participation in the Shareholders' Meeting and conferral of the proxy to the Designated Representative", may take place exclusively through the designated representative - is certified by a notification to the Company, issued by the intermediary, in favour of the person who has the right to vote, on the basis of the evidence at the end of the accounting day of the seventh day of open market before the date scheduled for the Shareholders' Meeting in single call ("record date"), coinciding with Tuesday, 9 April 2024. Therefore, those who are the holders of the shares only after the record date mentioned above will be not entitled to attend and vote at the Shareholders' Meeting. The notification of the above intermediary must reach the Company by the end of the third open market day prior to the date set for the Shareholders' Meeting (i.e. Monday, 15 April 2024). The right to attend and vote in any event is unaffected if the notification is received by the Company after the said deadline provided that it is received by the start of the proceedings of the Shareholders' Meeting forming the object of this call.

The directors, statutory auditors, representatives of the independent auditors, the notary, the Designated Representative and the other subjects allowed to participate in the Shareholders' Meeting pursuant to the law and the Articles of Association, other than those who are entitled to vote, may take part in the Shareholders' Meeting also, or exclusively, through the use of remote connection systems that guarantee the identification of the participants and their participation, in observance of the applicable provisions in force, according to the methods communicated by the Company to the aforementioned subjects.

In consideration of the method in which the Shareholders' Meeting will be held, it shall be considered traditionally called and held at the at the Tesmec operational headquarters in Grassobbio (BG), Via Zanica 17/O 24050.

There are no procedures for postal votes or by electronic means.

Participation in the Shareholders' Meeting and conferral of proxy to the Designated Representative

the Shareholders' Meeting will be attended by those entitled to vote without access to the Shareholders' Meeting venues, and in particular, it can only be attended through the designated representative pursuant to Article 135-*undecies* of the Consolidated Law on Finance (T.U.F.). Consequently, the Company assigned an engagement to Computershare S.p.A. – with registered office in Via Lorenzo Mascheroni no. 19, 20145 - Milan (MI) – to represent the Shareholders pursuant to Article 135-*undecies* of the Consolidated Law on Finance (T.U.F.) provided for by art. 106 of the Decree-Law of 17 March 2020 n. 18, most recently extended with Decree Law 30 December 2023 n. 215 converted with amendments into Law no. 18 of 23 February 2024 (the "**Designated Representative**"). All those with the right to attend and vote who intend to take part in the Shareholders' Meeting must therefore confer, as per mandatory requirements, the appropriate proxy to the Designated Representative.

Conferral of proxies to the Designated Representative pursuant to Article 135-undecies of the Consolidated Law on Finance (T.U.F.)

The proxy pursuant to Article 135-*undecies* of the Consolidated Law on Finance (T.U.F.) may be conferred, at no expense for the delegating party (with the exception of any postage expenses), through the specific form, prepared by said Designated Representative in agreement with the Company, and made available, with the associated instructions for compilation and transmission, on the Company's website at the address www.tesmec.com (Governance / Shareholders' Meetings section) in the section dedicated to this Shareholders' Meeting as well as at the Company's registered office and/or administrative office.

The proxy form to be notified to the Designated Representative with the relevant voting instructions together with an identity document and any documentation proving signing powers must be sent by following the instructions on the form itself and on the Company website before the second open market day before the Shareholders' Meeting (i.e. by Tuesday **16 April 2024**) and the conferral of the proxy may be revoked within the aforementioned deadline and using the same methods.

The proxy thereby granted is effective only for those draft resolutions in relation to which voting instructions are given.

Conferral of proxies and sub-proxies to the Designated Representative pursuant to Article 135-undecies of the Consolidated Law on Finance (T.U.F.)

It should also be noted that, pursuant to the aforementioned art. 106 of the Decree-Law of 17 March 2020 n. 18 , to the Designated Representative, in derogation of Article 135-*undecies*, paragraph 4, of the Consolidated Law on Finance (T.U.F.), may also be assigned ordinary proxies or sub-proxies in accordance with Article 135-*novies* of the Consolidated Law on Finance (T.U.F.), by following the instructions indicated in the form available on the Company's website at the address www.tesmec.com (Governance / Shareholders' Meetings section) in the section dedicated to this Shareholders' Meeting as well as at the Company's registered office and/or administrative office.

Those who do not avail themselves of the proxy right pursuant to Article 135-*undecies* of the Consolidated Law on Finance (T.U.F.), alternatively, can confer ordinary proxies or sub-proxies pursuant to Article 135-*novies* of the Consolidated Law on Finance (T.U.F.), with the associated written voting instructions, exclusively by using the appropriate proxy/sub-proxy form to be notified to the Designated Representative with the associated voting instructions, together with an identity document and any documentation proving signing powers by following the instructions on the form itself and on the Company website before 12.00 on **Wednesday 17 April 2024**, notwithstanding that the Designated Representative may accept the proxies and/or instructions even after the aforementioned deadline and before the opening of Shareholders' Meeting proceedings), and the conferral of the proxy may be revoked within the aforementioned deadline and according to the same methods.

The proxy thereby granted is effective only for those draft resolutions in relation to which voting instructions are given.

For any clarifications regarding the conferral of the proxy to the Designated Representative (and, in particular, regarding the compilation of the proxy form and the voting instructions and their transmission), as well as for requesting the proxy form, the Designated Representative will be available for clarifications or information at the number +39 011 092 3200 or via e-mail at the address sedeto@computershare.it.

Right to pose questions before the Shareholders' Meeting

Pursuant to Article 127-*ter* of the TUF, those who hold voting rights at the Shareholders' Meeting can submit questions on the items on the agenda within the end of the record date (i.e. by Tuesday 9 April 2024).

The questions must submitted - taking into account the ongoing emergency - by sending them accompanied by the certification released by the intermediary proving their capacity as shareholders, to the e-mail address tesmecspa@pec.it, with the indication, in the subject of the email, of the words *"Shareholders'Meeting 2024 - Questions on items on the agenda pursuant to art. 127-ter Legislative Decree 24 February 1998 n. 58"*. The ownership of the right to vote can also be attested after the submission of the questions provided within the third day following the record date (ie by Friday 12 April 2024) by indicating the communication issued by the intermediary to the Company.

Questions received within the indicated deadlines will be answered by 12 noon on Tuesday 16 April 2024, and also by publication in the specific section of the Company's website.

The Company can provide a unified response to questions with the same content. An answer is not due, not even during the Shareholders' Meeting, to the questions asked before it when the answer has been published in accordance with the law. The Company will not answer questions that do not comply with the methods, terms and conditions indicated above.

Additions to the agenda and submission of new draft resolutions

Pursuant to Article 126-*bis* of the Consolidated Law on Finance (T.U.F.), the Shareholders who, including jointly, represent at least one fortieth of the share capital with voting rights can request, within ten days from the publication of this notice, additions to the agenda, specifying in the request the further arguments or the new draft resolutions proposed on items already on the agenda. The request must be submitted in writing by the proposing Shareholders by e-mail to the address tesmecspa@pec.it, accompanied by the relevant communication issued by the intermediary proving the ownership of the above-mentioned fraction of share capital. Within the above-mentioned term of ten days and using the same methods, any proposing Shareholder must deliver to the Board of Directors a report that outlines the reason for the draft resolutions on new items that they propose be discussed or the reason for the additional draft resolutions submitted on items already on the agenda. No addition to the agenda is allowed for those arguments on which the Shareholders' Meeting resolves, in accordance with the law, upon proposals made by the directors or on the basis of a project or report prepared by them, other than those indicated under Article 125-*ter*, paragraph 1, of the Consolidated Law on Finance (T.U.F.)

For any addition to the agenda or the submission of additional draft resolutions on items already on the agenda of the Shareholders' Meeting, a notice is given through the same modalities used for the publication of this notice, at least fifteen days before the date scheduled for the Shareholders' Meeting (i.e. by Wednesday 6 April 2022). On the same date, the Company provides the public, according to the methods set out in Article 125-*ter*, paragraph 1, of the Consolidated Law on Finance (T.U.F.), with the additional draft resolutions on the items already on the agenda, the reports presented by Shareholders, as well as any assessments by the Board of Directors.

The right to make individual draft resolutions

Due to the fact that attendance at the Shareholders' Meeting is envisaged exclusively through the Appointed Representative pursuant to Article 135-*undecies* of the Consolidated Law on Finance (T.U.F.), those who have the right to vote can, pursuant to Article 126-*bis*, paragraph 1, third sentence, of the Consolidated Law on Finance (T.U.F.), no later than Wednesday 3 April 2024, individually submit draft resolutions on the items on the agenda, by sending them by certified email to tesmecspa@pec.it, indicating in the subject line of the email the wording "*2024 Shareholders' Meeting - Individual draft resolutions*".

The draft resolutions must contain the text of the resolution and be accompanied by information on the identity of the person submitting and the percentage of the share capital held at the date of submission, as well as the notice sent by the intermediary to the Company.

The validly submitted draft resolutions - if admissible pursuant to the applicable regulations - will be made available to the public by the Company on its website www.tesmec.com in the section dedicated to this Shareholders' Meeting, as well as by the other applicable methods pursuant to the laws and regulations in force.

The deadline for submitting such draft resolutions, set at the same time as the deadline for the publication of the requests for integration and of the draft resolutions pursuant to Article 126-*bis*, paragraph 1, first sentence, of the Consolidated Law on Finance (T.U.F.), allows those interested in submitting individual draft resolutions to consider what has been published by the Company in relation to the items on the agenda and, at the same time, allows the Appointed Representative to integrate the forms for the granting of proxies pursuant to Article 135-*undecies* and Article 135-*novies* of the Consolidated Law on Finance (T.U.F.), so that those entitled to vote may consider in good time all the requests and draft resolutions submitted for the purpose of issuing voting instructions.

In case of draft resolutions on the items on the agenda alternative to those formulated by the Board of Directors, the draft resolution of the Board of Directors shall be put to the vote first (unless it is withdrawn) and, only if it is rejected, the Shareholders' draft resolutions shall be put to the vote. These draft resolutions, even in the absence of a draft resolution from the Board of Directors, will be submitted to the Shareholders' Meeting starting with the draft resolution submitted by the Shareholders representing the largest percentage of the share capital. Only if the draft resolution put to the vote is rejected will the next draft resolution be put to the vote in order of the share capital represented. For the purposes of the relevant publication, as well as in relation to the running of the Shareholders' Meeting, the Company reserves the right to check the relevance of the draft resolutions to the items on the agenda, their completeness, their compliance with applicable regulations and the legitimacy of those submitting them.

Documents

The documents relating to the items on the agenda of the Shareholders' Meeting, including therein the reports containing the draft resolutions on the same, will be made available to the public within the terms provided by law through the filing at the administrative office in Grassobbio (BG), Via Zanica 17/O of the Company and on the website of Borsa Italiana S.p.A., in the centralised storage mechanism eMarketStorage which can be consulted at the address www.emarketstorage.it, and will also be available on the Company's website www.tesmec.com, "*Shareholders' Meetings* section, in accordance with the terms of the legislation in force, with the Shareholders and the parties legitimately entitled to vote able to obtain a copy of them.

The Articles of Association are available on the website of the Company www.tesmec.com .

Grassobbio, 15 March 2024

Tesmec S.p.A.

DRAFT RESOLUTION OF ALLOCATION OF PROFIT OR LOSS FOR THE YEAR

Report of the Board of Directors of Tesmec S.p.A., drawn up pursuant to Articles 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently supplemented and amended ("T.U.F.") and 84-*ter* of the Regulation adopted with CONSOB Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented ("Issuers' Regulation").

Dear Shareholders,

This report shows the draft resolutions that the Board of Directors of Tesmec S.p.A. (hereinafter referred to as "**Tesmec**" or the "**Company**") intends to submit for your approval in relation to the items on the agenda of the ordinary Shareholders' Meeting that will be held on 18 April 2024, at 10:30 at the operational headquarters in Grassobbio (BG), Via Zanica 17/O, 24050, on single call.

1. Approval of the financial statements as at 31 December 2023 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including the consolidated non-financial statement; allocation of result for the period; related and consequent resolutions.

2.1 Approval of the financial statements as at 31 December 2023 and the Board of Directors' report on operations;

2.2 Allocation of profit or loss for the period.

Dear Shareholders,

The Company, within the term established by Article 154-*ter* of the Consolidated Law on Finance (T.U.F.), must publish the annual financial statements comprising the draft financial statements, the consolidated financial statements, the directors' report (which includes the consolidated non-financial statement containing information, referred to Tesmec and its subsidiaries, relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters) and the certification set forth in Article 154-*bis*, paragraph 5, of the Consolidated Law on Finance (T.U.F.). The audit reports prepared by the independent auditors as well as the reports indicated in Article 153 of the Consolidated Law on Finance (T.U.F.) are made fully available to the public together with the annual financial statements.

The draft financial statements were approved by the Board of Directors of the Company on 8 March 2024.

The directors' report will be available to the public, together with the draft financial statements of Tesmec as at 31 December 2023, the consolidated financial statements of the Tesmec Group as at 31 December 2023, the certification of the Executive responsible for preparing the Company's accounting documents, the report of the Board of Statutory Auditors and the Independent Auditors' Report, at the registered office and Borsa Italiana S.p.A. ("**Borsa Italiana**"), as well as on the website of the Company www.tesmec.com and in accordance with the other methods prescribed by CONSOB within the methods and terms provided by the regulations in force.

For complete information on the subject in hand, reference is made to the directors' report and to the additional documents made available to the public, according to the methods the terms prescribed by the law, at the registered office and Borsa Italiana, as well as on the Company website at the address www.tesmec.com (Investors section) and in accordance with the other methods prescribed by the CONSOB regulation.

You are invited to approve the financial statements as at 31 December 2023 of Tesmec that closed with a with an operating profit of Euro 3,359,702.22.

With reference to the results achieved, the Board of Directors proposes that you resolve to carry forward the operating profit and allocate it to the legal reserve for Euro 167,985.11.

* * *

In light of the above, in relation to this item on the agenda, there will be two separate votes at the Shareholders' Meeting, based on the proposals formulated hereunder.

1.1 Approval of the financial statements as at 31 December 2023 and the Board of Directors' report on operations.

In light of the above, with regard to the approval of the financial statements as at 31 December 2023, the Board therefore invites the Shareholders' Meeting called to pass the following resolution:

"The Ordinary Shareholders' Meeting of Tesmec S.p.A.,

- *having examined the Company's draft financial statements as at 31 December 2023 and the Board of Directors' report on operations, as well as the consolidated non-financial statement included therein and drafted in accordance with Legislative Decree 254/2016;*
- *having examined the Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Art. 153 of Legislative Decree no. 58 of 24 February 1998;*
- *having examined the Independent Auditors' Report relating to the draft financial statements as at 31 December 2023;*

decides:

- *to approve the financial statements as at 31 December 2023 and the Board of Directors' report on operations;*
- *to confer to the Chairman of the Board of Directors and the Chief Executive Officer, with the right to sub-delegate, the mandate to carry out all the activities regarding, consequent to or connected with the implementation of this resolution".*

1.2 Allocation of profit or loss for the period.

In light of the above, with regard to the allocation of the profit or loss for the period, the Board therefore invites the Shareholders' Meeting called to pass the following resolution:

"The Ordinary Shareholders' Meeting of Tesmec S.p.A.,

- *having examined the Company's draft financial statements as at 31 December 2023 and the Board of Directors' report on operations, as well as the consolidated non-financial statement included therein and drafted in accordance with Legislative Decree 254/2016;*
- *having examined the Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Art. 153 of Legislative Decree no. 58 of 24 February 1998;*
- *having examined the Independent Auditors' Report relating to the draft financial statements as at 31 December 2023;*

decides:

- *to carry forward the profit for the year for Euro 3,359,702.22, and allocate it to the legal reserve for Euro 167,985.11;*
- *to confer to the Chairman of the Board of Directors and the Chief Executive Officer, with the right to sub-delegate, the mandate to carry out all the activities regarding, consequent to or connected with the implementation of this resolution".*

Grassobbio, 8 March 2024

TESMEC S.p.A.

The Chairman of the Board of Directors
Ambrogio Caccia Dominioni

INDIPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018

To the Board of Directors of
Tesmec S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5, paragraph 1, letter g) of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Tesmec S.p.A. and its subsidiaries (hereinafter "Tesmec Group" or "Group") as of December 31, 2023 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 5, 2024 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "European Taxonomy - Regulation (EU) 2020/852".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established by GRI - *Global Reporting Initiative* (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. During the year covered by this assurance engagement, our auditing firm applied *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;

2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;

3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Tesmec Group;

Deloitte.

4. understanding of the following matters:

    - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;

    - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;

    - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

    Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

    In particular, we carried out interviews and discussions with the management of Tesmec S.p.A. and with the employees of the subsidiaries Groupe Marais S.A. and Marais Laying New Zeland Ltd and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

    In addition, for material information, taking into consideration the Group's activities and characteristics:

    - at the parent company's and subsidiaries' level:

        a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;

        b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

    - for the following companies and sites, Grassobbio plant for Tesmec S.p.A., which we selected based on its activities, its contribution to the performance indicators at the consolidated level and its location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Tesmec Group as of December 31, 2023 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

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Our conclusion on the NFS of the Tesmec Group does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "European Taxonomy - Regulation (EU) 2020/852".

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 28, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative. .

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
TESMEC S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Tesmec S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, statement of consolidated cash flows and statement of changes in consolidated shareholders' equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Tesmec S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue Recognition: terms and conditions of contracts for product sales	
Description of the key audit matter	Group's contracts for product sales are based upon shipping terms that can vary by region and that include, in some cases, the transfer of ownership to the buyer prior to the actual delivery of the product. Revenue recognition criteria for such transactions require the assessment of sales contractual terms and the fulfilment of relevant performance obligations in order to have a complete and true representation of these operations in the financial statements. The assessment of sales terms and conditions and their application to revenue recognition has been deemed a key audit matter, considering the variance and complexity of some contractual terms applied to sales transactions. The notes 3.3 *"Significant accounting principles – Revenues from contracts with customers"* and 3.5 *"Discretionary evaluations and significant accounting estimates"* of the consolidated financial statements provide disclosure on revenue recognition criteria applied to for product sales.
Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following: - gained an understanding of the Group's process and procedures related to revenue recognition in accordance with applicable financial reporting standards; - gained the key controls implemented by the Group for revenue recognition; - gained an understanding of the substance of the sale transactions by analyzing the terms and conditions included in the main contracts and performed sample-based substantive procedures to test the fulfilment of revenue-relevant obligations recognized close to the year-end date in case ownership is transferred to the buyer prior to the actual delivery of the product; - verified the disclosures provided in the consolidated financial statements in accordance with applicable accounting standards.

Compliance with financial covenants provided in financial loan contracts	
Description of the key audit matter	The Group's net financial indebtedness amounts to Euro 153.5 million (Euro 128.4 million as at December 31, 2022). Certain medium/long-term loan contracts, whose residual value as of the financial statements' date amounts to Euro 64.9 million provide the respect of some financial covenants that, at the financial statements' date, are respected, also taking into account the change in the method of classification of financial charges adopted from the consolidated financial statements to 31 December 2023, which the Directors

take into account in note 3.5 *Discretionary evaluations and significant accounting estimates - Classification of costs incurred for the issue of guarantees for the execution of multi-year contracts.*

Moreover, the Directors state that they have verified the ability of the Group to meet their obligations in the foreseeable future of at least 12 months and in particular the ability to comply, also for the year 2024, with the covenants related to the most relevant loans, elaborating for this purpose alternative forecast scenarios to take into account the effects of further possible slowdowns of the business with respect to what is already foreseen in the plan, due to the context of general uncertainty connected to the macroeconomic environment of the reference markets. As a result of this analysis, the Directors concluded that there are no significant uncertainties regarding compliance with the covenants and, consequently, on the going concern. Furthermore the Directors indicate that different trends from those included in the forecasts, could lead to the achievement of lower results with possible effects currently unforeseeable on the ability of the Company and the Group to comply with such covenants.

The compliance with the financial covenants and related disclosure have been deemed a key audit matter considering the current and potential impacts of their non-compliance on the balance sheet classification of non-current financial liabilities, as well as on the ability of the Group to fulfill its obligations in the foreseeable future.

The note 20 "*Medium/long-term loans*" of the consolidated financial statements provides disclosure on the Group's financial covenant provisions and on the potential impacts of their breach.

Audit procedures performed

As part of our audit, we have, among other procedures, carried out the following:

- understanding of the process and significant controls put in place by the Group to verify compliance with the economic and financial covenants set forth in the loan agreements;

- assessed loan contracts and the regulations of the bond loan, with particular reference to the covenants contained therein and the other main contractual clauses;

- reviewed the accuracy of the covenants' calculations prepared by the Management of the Group based on the criteria provided in the loan contracts;

- with particular reference to financial statements items included in the calculation of financial covenants, verification of classification in accordance with reference accounting principles, including that of financial charges, concerned in the financial year in question by a case subject to a change in the classification criterion which does not conflict with the reference accounting principles;

- assessed the classification of financial liabilities in the financial statements in accordance with the applicable accounting standards;

- assessed the consistency of the forecasts prepared by the Directors in order to verify the ability of the Group to meet its obligations in the foreseeable future for at least 12 months and, in particular, to comply, also for the year 2024, with the covenants relating to the most relevant loans;

- verified the disclosure provided in the consolidated financial statements and its compliance with the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of the Group has appointed us on April 16, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Tesmec S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations, may not be reproduced identically to the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/2010 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Tesmec S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of the Group as at December 31, 2023, including its consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2023 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure is consistent with the consolidated financial statements of the Group as at December 31, 2023 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Tesmec S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 28, 2024

As disclosed by the Directors, the accompanying consolidated financial statements of Tesmec S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
TESMEC S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tesmec S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including material accounting policy information

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue Recognition: terms and conditions of contracts for product sales	
Description of the key audit matter	Contracts for product sales are based upon shipping terms that can vary by region and that include, in some cases, the transfer of ownership to the buyer prior to the actual delivery of the product. Revenue recognition criteria for such transactions require the assessment of sales contractual terms and the fulfilment of relevant performance obligations in order to have a complete and true representation of these operations in the financial statements. The assessment of sales terms and conditions and their application to revenue recognition has been deemed a key audit matter, considering the variance and complexity of some contractual terms applied to sales transactions. The notes 2.2. "*Significant accounting principles– Revenues from contracts with customers*" and 2.4 "*Discretionary evaluations and significant accounting estimates*" of the financial statements provide disclosure on revenue recognition criteria applied to for product sales.
Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following: - gained an understanding of the Company's process and procedures related to revenue recognition in accordance with applicable financial reporting standards; - gained the key controls implemented by the Company for revenue recognition; - gained an understanding of the substance of the sale transactions by analyzing the terms and conditions included in the main contracts and performed sample-based substantive procedures to test the fulfilment of revenue-relevant obligations recognized close to the year-end date in case ownership is transferred to the buyer prior to the actual delivery of the product; - verified the disclosures provided by the Company in the financial statements in accordance with applicable accounting standards.

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Compliance with financial covenants provided in financial loan contracts	
Description of the key audit matter	The Company's net financial indebtedness amounts to Euro 60.6 million (Euro 70.4 million as at December 31, 2022). Certain medium/long-term loan contracts, whose residual value as of the financial statements' date amounts to Euro 42.9 million, provide the respect of some financial covenants that, at the financial statements' date, are respected also taking into account the change in the method of classification of financial charges adopted from the consolidated financial statements to 31 December 2023, which the Directors take into account in note 2.4 *Discretionary evaluations and significant accounting estimates - Classification of costs incurred for the issue of guarantees for the execution of multi-year contracts.* Moreover, the Directors state that they have verified the ability of the Company and the Group to meet their obligations in the foreseeable future of at least 12 months and in particular the ability to comply, also for the year 2024, with the covenants related to the most relevant loans, elaborating for this purpose alternative forecast scenarios to take into account the effects of further possible slowdowns of the business with respect to what is already foreseen in the plan, due to the context of general uncertainty connected to the macroeconomic environment of the reference markets.. As a result of this analysis, the Directors concluded that there are no significant uncertainties regarding compliance with the covenants and, consequently, on the going concern. Furthermore the Directors indicate that different trends from those included in the forecasts could lead to the achievement of lower results with possible effects currently unforeseeable on the ability of the Company and the Group to comply with such covenants. The compliance with the financial covenants and related disclosure have been deemed a key audit matter considering the current and potential impacts of their non-compliance on the balance sheet classification of non-current financial liabilities, as well as on the ability of the Company to fulfill its obligations in the foreseeable future. The note 15 "*Medium/long-term loans*" of the financial statements provides disclosure on financial covenant and on the potential impacts of their breach.
Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following: - understanding of the process and significant controls put in place by the Company to verify compliance with the economic and financial covenants set forth in the loan agreements; - assessed loan contracts and the regulation of the bond loan, with particular reference to the covenants contained therein and the other main contractual clauses; - reviewed the accuracy of the covenants' calculations prepared by the Management of the Company based on the criteria provided in the loan contracts;

- with particular reference to financial statements items included in the calculation of financial covenants, verification of classification in accordance with reference accounting principles, including that of financial charges, concerned in the financial year in question by a case subject to a change in the classification criterion which does not conflict with the reference accounting principles;

- assessed the classification of financial liabilities in the financial statements in accordance with the applicable accounting standards;

- assessed the consistency of the forecasts prepared by the Directors in order to verify the ability of the Company and the Group to meet its obligations in the foreseeable future for at least 12 months and, in particular, to comply, also for the year 2024, with the covenants relating to the most relevant loans;

- verified the disclosure provided in the financial statements and its compliance with the applicable accounting standards.

Impairment Test of investments

Description of the key audit matter	The Company recognizes Investments in subsidiaries for Euro 75.8 million and Investments in affiliated companies for Euro 1.0 million as at December 31, 2023. As required by IAS 36, due to the presence of impairment indicators, the Directors tested the value of investments for impairment in order to ensure that such investments are carried in the financial statements as at December 31, 2023 at no more than their recoverable amount. The recoverable value of the investments was determined by discounting the expected cash flows deriving from the 2023-2028 Business Plan. As a result of the Impairment Test, approved by the Board of Directors on March 8, 2024, the Directors assessed that the recoverable value of the tested investments is not lower than the corresponding carrying amount and, therefore, no impairment loss has been recorded. The valuation process made by the Management is complex and based on assumptions concerning, among others, future cash flows of subsidiaries and affiliated companies and the determination of an appropriate discount rate (WACC). The key variables in estimating future cash flow are: - market trends where the Company's subsidiaries and affiliated companies operate, influenced especially by the realization of infrastructural investments; - trends of exogenous variables out of the Management control, such as interest and exchange rates, the macroeconomic and social environment at global level as well as at local one;

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- discount and growth rates estimated by Management.

These assumptions are influenced by future expectations regarding market scenarios.

Moreover, the Management prepared a sensitivity analysis as described in the notes. The Directors indicate that as a result of the sensitivity analysis, a 2% increase in WACC together with the adoption of a growth rate g equal to 1%, would result in write-downs of a total amount of 1.6 million.

Considering the importance of the amount of the investments carried in the financial statements, the subjectivity of future cash flows and of the key variables' estimates for the impairment test model, we deemed the impairment test a key audit matter.

The note 7 "*Equity investments in subsidiaries, associates and joint ventures*" of the financial statements includes the disclosures on the impairment test, and the results of the sensitivity analysis carried out by the Management showing the possible effects from changes in certain key assumptions used for the impairment test.

Audit procedures performed

As part of our audit, we have, among other procedures, carried out the following, also with the support of experts:

- reviewed the methods and methodology adopted by Management for the determination of the recoverable value of the investments in the subsidiaries and affiliated companies and analyzed the methodology and assumptions used for the impairment test, as well as its compliance with the relevant accounting standards;

- developed an understanding of the Company's relevant controls on the impairment test process;

- performed a reasonableness analysis of the key assumptions used for the future cash flow estimate, and through information obtained from Management;

- analyzed actual data with respect to the original plans in order to assess the nature of the deviations and the reliability of the planning process;

- analyzed the reasonableness of the discount rate (WACC) and assumptions used for the terminal value calculation;

- reviewed the mathematical accuracy of the model used for the estimate of the value in use of the investments;

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- reviewed Management's sensitivity analysis;

- analyzed the compliance of the disclosures on the impairment test according to IAS 36 requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Tesmec S.p.A. has appointed us on April 16, 2019, as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Tesmec S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at December 31, 2023, to be included in the annual financial report.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 have been prepared in XHTML format and have been prepared, in all material respects, in accordance with the provisions of the Delegated Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Tesmec S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Tesmec S.p.A. as at December 31, 2023, including its consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Tesmec S.p.A. as at December 31, 2023 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Tesmec S.p.A. as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 28, 2024

As disclosed by the Directors, the accompanying financial statements of Tesmec S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

TESMEC S.p.A.
Registered office in Milan, Piazza S. Ambrogio no. 16
Subscribed and paid-up share capital Euro 15,702,162
Tax code and registration number at the
Milan Register of Companies no. 10227100152
Economic and Administrative Register (REA) no. 1360673

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF TESMEC S.P.A. PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the financial period ended 31 December 2023, the Board of Statutory Auditors of Tesmec S.p.A. carried out the supervision activities required by law in accordance with the principles of conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession Council, by attending the meetings of the company's Bodies, carrying out periodic audits and meeting the managers of the Independent Auditors Deloitte & Touche S.p.A. (the "Independent Auditors"), the members of the Control, Risk and Sustainability Committee, the Members of the Remuneration and Appointments Committee, the members of the Supervisory Body set up pursuant to Italian Legislative Decree 231/2001, the key representatives of the different business functions and the Manager responsible for preparing the Company's financial statements for an exchange of information on activities and programs.

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of 21 April 2022 in compliance with current legal, regulatory and statutory provisions and will end its mandate with the Shareholders' Meeting to approve the financial statements at 31 December 2024.

Pursuant to Article 153 of Italian Legislative Decree 58/1998 (the "Consolidated Law on Finance (T.U.F.)") and of Article 2429, paragraph 2 of the Italian Civil Code, taking also into account the instructions given by CONSOB with communication no. DEM/1025564 of 6 April 2001, and subsequent amendments and supplements, and pursuant to Art. 19 of Italian Legislative Decree 39/2010 with reference to the internal Control Committee and audit activities that in listed company are identified in the Board of Statutory Auditors, we report the following:

- we supervised the observance of the law and of the articles of association;
- we obtained from the Directors, on a regular periodicity, information on management performance and business outlook as well as on the business carried on and on the major economic and financial operations performed during the financial period, also through subsidiaries, verifying that they comply with the law and with the articles of association and that they are not clearly imprudent or reckless, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company assets;
- we received from the Board of Directors, within the timeframe set by the law, the half-yearly financial report and the quarterly interim reports on operations;
- we verified the correct application of the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members on the basis of the methods provided by law and by the Corporate Governance Code ;

- upon appointment, we proceeded to verify that its members met the independence, integrity and professionalism requirements pursuant to the law. Following the meeting, unanimously, with the interested parties abstaining from time to time, on the basis of the information provided and the declarations made by each Statutory Auditor, the Board of Statutory Auditors:
  - ✓ assessed that all standing members of the Board of Statutory Auditors met the independence requirements established by art. 148, paragraph 3, of the TUF as well as referred to in recommendation no. 7 of the Corporate Governance Code;
  - ✓ with a view to the prevalence of form over substance, did not consider that the mere continuation of Dr. Cavalli's office affects the presence of the independence requirements of the same, having rather to consider the experience gained by the same an advantage for the benefit of society.
- during the meeting held on 21 February 2024, the Board of Statutory Auditors verified the continuation of the independence requirements of the Statutory Auditors, already ascertained before their appointment, based on the criteria established by law and by the Corporate Governance Code and sent the outcome of these checks to the Board of Directors; it also complied with the limit on the accumulation of offices established by the Articles of Association and by art. 144-terdecies of the Issuers' Regulation, fulfilling, where required, the related Consob disclosure obligations during the year;
- during the same meeting, the Board of Statutory Auditors carried out the self-assessment activity aimed at verifying the suitability of its regular members and of the Board as a whole, as required by the "Rules of Conduct of the Board of Statutory Auditors of Listed Companies" issued by the National Council of Chartered Accountants and Accounting Experts. The self-assessment process also took into account the Diversity Policy on diversity in relation to the composition of the administrative and control bodies, approved by the Company's Board of Directors on 1 March 2018 and updated on 11 March 2022, in relation to aspects such as age, gender composition and educational and professional background. The Board of Statutory Auditors then informed the Company's Board of Directors that no shortcomings emerged from this investigation either in relation to each standing member or its composition;
- we obtained information and supervised, to the extent of our authority, compliance with the principles of correct administration and the adequacy of the organizational structure and of the instructions given by the Company to the subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance, by means of direct observations, collecting information from department heads and meetings with the Independent Auditors, with the manager responsible for preparing the Company's financial statements and with the Head of Internal Control in order to exchange relevant data and information;
- we obtained information and supervised, to the extent of our authority, also pursuant to Article 19 of Italian Legislative Decree 39/2010, the adequacy and effectiveness of the internal control system and risk management, as well as the activity carried out by the relevant manager responsible for preparing the Company's financial statements and the company's administrative-accounting system, the reliability of the latter in correctly representing operating performance, by obtaining information from the persons in charge of their respective functions, examining company documents and the work carried out by the Independent Auditors, the attendance at the meetings of the Control Risk and Sustainability Committee and meetings with the Manager responsible for preparing the Company's financial statements, and Executive Director in charge of supervising the functionality of the internal control system;

- we maintained a steady communication flow and performed periodically meeting with the head of the Internal Audit function;
- among the significant events mentioned by the Company in the Report on Operations, we note the following transactions carried out during the 2023 financial year:
  - ✓ on 6 May 2023, the subsidiary Tesmec Rail S.r.l. announced the start of works for the industrial and organisational strengthening of the Monopoli hub to respond to a constantly growing market. Thanks to this new project, the Tesmec Group will have a positive impact on the territory in terms of increased qualified employment, development of advanced technological skills, and strengthening of the local supply-side industries;
  - ✓ in December 2023, the parent company Tesmec S.p.A. bought back the 33.96% stake in Marais Technologies SAS held by Simest S.p.A. Following this buyback, the equity investment is wholly owned by Tesmec S.p.A.;
  - ✓ starting from December 2023, the parent company Tesmec S.p.A. started the activities of transferring, in continuity of production, the production of the stringing sector from the Endine Gaiano plant, whose rental contract had ended, to the production site of Grassobbio. From such activity, that it be part in the widest transformation of the productive site of Grassobbio in a technological pole, productive and global hub, important recoveries in terms of efficiency are attended.
- we have noticed no atypical and/or unusual operations with third parties, companies of the Group or related parties to report, nor have we received information from the Board of Directors, Independent Auditors or Control and Risk Committee on this matter;
- during the meeting of 10 March 2023, the Board of Directors of Tesmec S.p.A. stated that the subsidiaries companies Tesmec USA Inc and Tesmec Australia (Pty) Ltd are "strategically important subsidiaries";
- we have ascertained that the information flows provided by the subsidiaries outside the European Union are adequate to conduct the auditing of annual and interim accounts as provided by Article 15 of the Market Regulation adopted with CONSOB Resolution no. 20249 of 28 December 2017;
- the Directors illustrated, in the accompanying Report on operations both on the financial statements of Tesmec S.p.A. and on the consolidated financial statements of the Tesmec Group as well as in the relevant explanatory notes, ordinary operations carried out during the financial period with related parties or companies of the group. We refer to those documents, to the extent of our authority, and in particular as regards the description of the characteristics of the transactions and the related economic and equity effects. In this regard, we also monitored compliance with the principles indicated in the Consob Regulation containing provisions on transactions with related parties adopted with resolution no. 17221 of 12 March 2010, as subsequently amended (the "RPT Regulation"), of the consequent Procedure for transactions with Related Parties, adopted by the Board of Directors on 11 November 2010, updated in its latest version on 28 June 2021;
- the Directors have adequately described in the explanatory notes to the financial statements the main assumptions used in the performance of the impairment test for some assets of the financial statements together with the sensitivity analysis performed;
- during the financial period, the Company didn't carry out transactions on Treasury shares;
- during the financial period, no complaints under Article 2408 of the Italian Civil Code have been received nor any other complaint filed by third parties;

- we have not reported to the administrative body pursuant to and for the purposes of art. 25-octies Legislative Decree 12 January 2019, n. 14. We have not received reports from public creditors pursuant to and for the purposes of art. 25-novies legislative decree 12 January 2019, n. 14;
- we supervised the observance of the regulations established by Legislative Decree 254/2016, examining the Consolidated Disclosure of Non-financial information, also ascertaining compliance with the provisions that govern its preparation pursuant to the aforementioned Decree;
- based on the information received from the Indipendent Auditors of the Group, Deloitte & Touche S.p.A., during the year ended December 31, 2023, the Company conferred to Deloitte & Touche S.p.A. additional assignments with respect to that envisaged for the auditing of the Company and the Group and in particular the assignment for the certificate of the Tax Credit on Research and Development and on training costs 4.0 in view of fees of Euro 61 thousand. In any case, the Board verified that the services requested were not among those prohibited by art. 5 of Regulation 537/2014 and that the activity did not damage the independence of the auditing firm;
- we received confirmation of the independence of the Independent Auditors, in charge of the external audit pursuant the EU Reg. 537/2014 and no situations compromising this independence, or the occurrence of incompatibility were reported;
- we received from the Independent Auditors the additional report pursuant to art. 11 of EU Reg. 537/2014 dated 28 March 2024 from the examination of which no aspects that should be highlighted in this report have emerged, and which will be transmitted to the Board of Directors as required by current legislation;
- we supervised the effectiveness of the external audit process by examining with the Independent Auditors the audit plan and by discussing the activities carried out;
- the Independent Auditors issued, on 28 March 2024, pursuant to art. 14 of Legislative Decree 39/2010 and of art. 10 of EU Regulation 537/2014, the Reports on the separate and consolidated financial statements as of 31 December 2023.

  With regards to opinions and attestations in the audit reports, the Independent Auditors have:
  - issued an opinion which shows that the financial and consolidated financial statements of Tesmec S.p.A. give a true and fair view of the financial position of the Company and of the Group as of 31 December 2023, and of their financial performance and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree 38/2005;
  - issued a consistency opinion which shows that the Report on operations accompanying the financial statements and the consolidated financial statements as of 31 December 2023 and some specific information contained in the "Report on corporate governance and ownership structure" as indicated in the art. 123 - bis, paragraph 4 of the T.U.F. whose responsibility is the responsibility of the Company's Directors, are consistent with financial statements and the consolidated financial statements and are prepared in compliance with the law;
  - the opinions on the separate and consolidated financial statements issued included the aforementioned Independent Auditors’ Reports are consistent with the content of the Additional Report prepared pursuant to art. 11 of the EU Reg. 537/2014;

- with reference to assessment whether the Report on operations contains material misstatements, declared that, based on the knowledge and understanding of the entity and its environment obtained through the audit (Article 14, paragraph 2, letters e) of Italian Legislative Decree 39/2010), they have no matters to report;
- issued the opinion on the consolidated financial statements under XHTML format and its signing, in all the relevant aspect, in accordance with the Commission Delegated Regulation. Some information contained in the explanatory notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format;
- issued the opinion on the Financial Statements at 31 December 2023 consolidated financial statements under XHTML format and its signing, in all the relevant aspect, in accordance with the Commission Delegated Regulation (EU) 2019/815;

- On 28 March 2024 the Independent Auditors also issued the Report on the Consolidated Disclosure of Non-Financial information pursuant to art. 3, paragraph 10 of Legislative Decree 254/2016 and with art. 5 of Consob Regulation No. 20267 of 18 January 2018. The Independent Auditors' Report concludes that nothing has come to their attention that causes them to believe that the Tesmec Group's Disclosure of Non-financial information, referring to the financial period ended 31 December 2023, has not been prepared in all significant aspects in accordance with the requirements of articles 3 and 4 of the aforementioned Decree and of the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative ("GRI Standards");
- during the meetings held with the Independent Auditors pursuant to Article 150, paragraph 3, of TUF, no relevant issues emerged that would require any particular comments;
- during the financial period, we issued the opinions required by the Board of Statutory Auditors pursuant to the law;
- we took note of the preparation of the Report on Remuneration ex Articles 123-ter of TUF and 84-quarter of the Issuers' Regulation, as well as in accordance with the recommendations of art. 5 of Corporate Governance Code and we have no special observations to remark;
- during the financial period, we attended the Shareholders' meeting for the approval of the balance sheet on 20 April 2023. During the same period, the Board of Statutory Auditors met 18 times including 8 in joint session with the Control, Risk and Sustainability Committee. These meetings have normally been attended by all members.
- we have tested and evaluated the information and periodic press releases issued by the Company to the public, as well as the obligations to notify Consob;
- we supervised the concrete methods of implementing corporate governance regulations of the Corporate Governance Code of listed companies, whose adoption was approved by the Committee for the Corporate Governance during January 2020;
- we verified, through direct audits and information received from the Independent Auditors and the Manager responsible for preparing the Company's financial statements, compliance with the rules of laws concerning the preparation and layout of the consolidated financial statements of the Tesmec Group, of the financial statements of Tesmec S.p.A. and of the report on operations. Moreover, nothing reported to the supervisory authorities or worth mentioning in this report was revealed by our supervisory activity;

- we have examined the letter of 14 December 2023 from the Chairman of the Corporate Governance Committee, as well as the evaluations made and the decisions taken by the Company regarding the recommendations contained therein, without particular comments on this;
- we verified the compliance of the financial statements with the facts and information of which we are aware, following the fulfilment of our duties and we have no observations in this regard;
- the Company adopted an Organizational Model in compliance with the Italian Legislative Decree n. 231/2001 (the "Organizational Model 231"), of which the Code of Ethics is an integral part; the aim is to prevent the offenses listed in the Decree and consequently the extension of the administrative liability to the Company. The Board of statutory auditors met the Supervisory Board during the year for the reciprocal exchange of information on the activity carried out, as well as having read the annual report of the same dated 19 February 2024 in which no reprehensible facts or violations of the Model adopted by the Company, or acts or conduct that violate the provisions contained in Legislative Decree 231/2001;
- starting from May 2018 the EU Regulation 679/2016 (c.d. General Data Protection Regulation) became effective. Tesmec has complied with the new European standards by adapting its compliance rules by updating the privacy information available on its website, by establishing the Treatment Activities Register and by adjusting the existing procedural set; from the analyzes carried out by the Board and from the information acquired, no elements emerged in order not to consider such a system as a whole adequate, effective and with effective operations;
- the Directors, in the paragraph called “Main risks and uncertainties to which the Tesmec Group is exposed” on the Report on operations, point out the risk factors or uncertainties that may significantly affect the activity of the Tesmec Group. In particular, some information tending to illustrate the aims and policies of the Group on the management of the exchange-rate, price and financial risk, credit risk, liquidity risk and cash-flow variation risks as well as tending to indicate the degree of exposure to: the international activities of the Group, to operations through the award of tenders, to the possible loss of value of work in progress, supply risks and purchase price fluctuations, as well as risks associated with disputes.

Considering all the above, we find no reasons not to approve - to the extent of our authority - the financial statements as of 31 December 2023, or to make observations on the proposal for cover the loss for the year, contained in the report on management performance prepared by the Board of Directors.

Milan, 28 March 2024

The Board of Statutory Auditors

Simone Cavalli - Chairman

Laura Braga - Statutory Auditor

Attilio Marcozzi - Statutory Auditor

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

Tesmec S.p.A.

Registered Office
Piazza S. Ambrogio, 16
20123 Milano - Italy

Share Capital Euro 15.702.162 fully paid
VAT identification code IT10227100152
Milan Register of companies no. 1360673

www.tesmec.com