ANNUAL FINANCIAL REPORT
2024

TESMEC
draw the way forward

Investor Relator
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Tesmec S.p.A.
Registered Office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 31 December 2024 Euro 15,702,162
Milan Register of Companies no. 1360673
Tax and VAT code: 10227100152

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COMPOSITION OF THE CORPORATE BODIES

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

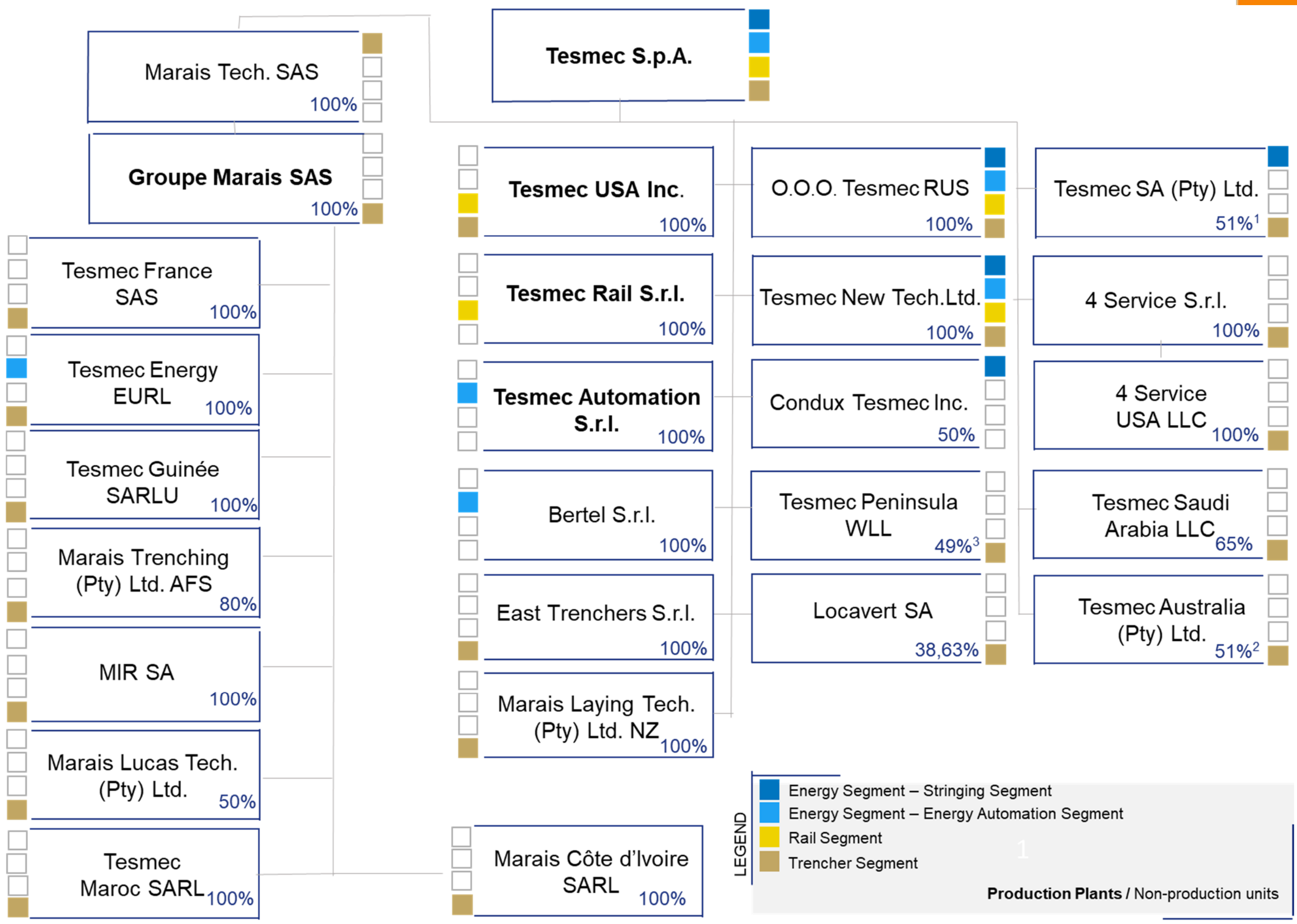
Chairperson	Emanuela Teresa Basso Petrino
Members	Simone Andrea Crolla
	Guido Luigi Traversa

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 a 100% basis.

(2) The remaining 49% is held by Simest S.p.A. Since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding in Tesmec 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)	2024	2023
Revenues	239.5	236.0
EBITDA	41.1	32.8
EBIT	20.4	13.0
Net result	(5.2)	(3.0)

Financial performance (Euro in millions)	2024	2023
Net Invested Capital	224.6	231.7
Net Financial Indebtedness	147.0	153.5
Shareholders' Equity	77.6	78.2

Environment	2024	2023
Total energy consumption - MWh	19,820.8	20,001.7*
Energy intensity (MWh consumption / Revenues)	0.0784	0.0794
Total direct (Scope 1 GHG) and indirect (Scope 2 GHG market-based) emissions/t CO_2e	4,380.7	5,701.6*
Sustainability Policy; Health, Safety and Environmental Policy		

* 2023 figures are restated following an improvement in the Group's processes for data collection

Human Resources	2024	2023
Number of employees as at 31 December	990	1,026
Gender diversity - female gender share (% of total employees)	16.5%	15.6%
Training – average hours of training per employee	7.4	8.6
Health and safety - Accident frequency rate (No. of accidents/hours worked x 1,000,000)	12.31	12.94
Female presence on the BoD	40%	40%

Quality & supply chain	2024	2023
Suppliers selected on environmental criteria	8.0%	5.5%
Products with ISO 14067 Standard Carbon Footprint of products (*)	64	61
Supplier Code of Ethics; Management, Quality, Environment and Safety System		

(*) ISO obtained 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

Dear Stakeholders,

I am pleased to present the Tesmec Group's Annual Financial Report, a comprehensive document that fully represents the management performance and our way of doing business, integrated with the new Sustainability Report that testifies to an increasingly articulated and concrete sustainability process.

2024 was a year of significant progress for our Group.

We continued the transformation process to make our business more efficient, competitive and sustainable, working on several fronts. We concentrated our activities in the stringing equipment segment in a single state-of-the-art production centre, the Grassobbio hub, and optimised our processes. At the same time, we initiated measures to improve the efficiency of all our production sites, both in Italy and abroad. We want our factories to be increasingly efficient, sustainable and capable of delivering excellent products.

We have strengthened our leadership position in some of our key markets, such as the United States and Australia, and implemented measures to contain operating costs without compromising the quality of our products and services. We want to be a solid and profitable company, able to invest in the future and create value for all our stakeholders.

The initiatives implemented, together with additional strategies launched in the second half of the year to improve the efficiency of specific business components, resulted in positive results as at 31 December 2024. In particular, there was a reduction in net financial indebtedness and an improvement in profitability and the mix of invested capital.

In France, we have taken a number of strategic initiatives to further strengthen the Group's competitive position and to increase synergies between the various divisions in order to expand our presence in the local market. These actions are a key element of Tesmec's strategy to become more focused. The aim is to generate benefits for the business and further strengthen its financial position.

The Group's internationalisation strategy continued to bear fruit, with a positive consolidation of volumes in the Middle East and significant growth in Africa through the Trencher business, while the local market remains the reference market for the Rail and Energy Automation segments, the latter offering interesting prospects for foreign expansion until 2025.

The order backlog as at 31 December 2024 was around Euro 350 million, a historically high level. The greatest opportunities concerning with medium terms backlog are concentrated in the Energy and Rail segments, where strategic initiatives are in place to seize opportunities in highly dynamic markets with growth prospects.

This gives us a clear view of the future and allows us to face the challenges ahead with optimism. Recognising the importance of the energy transition, we are working to seize the opportunities presented by this momentous change by developing innovative products and solutions in the energy segment. We want to be a leader in our sector, a point of reference for innovation and sustainability.

We are working every day to progressively integrate ESG issues into our business model. This is an important process that lays the foundations for better addressing the environmental and social challenges posed by the current economic scenario.

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

Sustainable innovation and digitalisation are at the heart of our growth strategy, as they are seen as fundamental drivers of development in all our reference markets. The aim is to create widespread value for customers and stakeholders by collaborating with universities, research organisations, companies and institutional partners for an increasingly value-added technology.

We invest time and ideas to create a corporate culture of shared values, continue to raise awareness of social responsibility issues, and provide space for information and training initiatives for all Group companies. Business ethics, fairness and transparency are core values and are embodied in Tesmec's corporate governance.

We promote the sharing and observance of sustainable business principles throughout our supply chain, as we believe 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.*

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.

People are a company's greatest asset, so we are committed to providing a safe, positive and rewarding working environment where people can develop their talents and grow professionally. Social responsibility does not end within the corporate structure, but continues through concrete actions in the local communities in which we operate. One of many initiatives is the "Welcome. Working for Refugee Integration" award presented to Tesmec by UNHCR Italy (United Nations High Commissioner for Refugees) on the occasion of World Refugee Day 2024.

Securing growth and economic sustainability is essential to enable us to make the necessary investments to consolidate our position in the energy infrastructure market, with the aim of creating long-term value for all our stakeholders.

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 Sustainability Reporting prepared pursuant to Italian Legislative Decree no. 125 of 6 September 2024;
- 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 2024.

The Sustainability Report has been prepared, as required by EU Directive 2022/2464 (CSRD), in compliance with the European Sustainability Reporting Standards (ESRS).

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.

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 900 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 product, the Group is able to offer:

1.1 Energy segment

- Machines and integrated systems for overhead and underground powerlines stringing works and fibre optic cables.
- Integrated solutions for the streamlining, management and monitoring of 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 transport 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 said trenching machines.
- Specialised consultancy and excavation services on customer request.
- The Trencher segment also includes the excavation services for power networks and fibre optic cables.

1.3 Rail segment

- Works vehicles and integrated solutions for the installation, renewal and maintenance of the railway catenary wire system.
- Vehicles and 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 Tesmec Group in 2024

A. Summary

During 2024, Tesmec worked on the implementation:
1) of its management guidelines, based on actions aimed at a strong recovery in efficiency and profitability;
2) of its strategic guidelines, based on the optimisation of its business model, with a series of important operations on the French market.

With regard to the first aspect, also in the fourth quarter 2024, the Group continued its management actions to restore efficiency, with positive effects at a consolidated level from:
- the improvement in the sales mix, with volumes remaining essentially the same, accompanied by a strong reduction in operating costs, in line with the "value over volume" guideline;
- an increase in the efficiency of the production set-up, with the closure of the Endine Gaiano plant and the consequent concentration of the production activities of the Stringing equipment segment at the Grassobbio plant, which has thus become a hub for global production in this business segment, and the use of the redundancy fund for the Sirone plant.

Taken together, these management actions resulted in an increase in productivity and efficiency ratios and more than offset positively counteract (i) the effects of a still unfavourable trend in some specific markets related to the Trencher segment, (ii) the lower contribution, but still positive, compared to 2023 from the Condux Tesmec joint venture, which operates in the Stringing equipment segment in the United States and (iii) lower contributions and capitalisations related to Research and Development, allowing a strong increase in the gross operating profitability ratio compared to 2023.

With regard to the second aspect, Tesmec reorganised its presence in the important French market, where it historically operated through Groupe Marais SAS, active in the production and sale of Trenching machines, and in the Trencher Rental segment, through a dedicated fleet - two businesses that the market has shown to require specific and different management and strategic focus.
The Group therefore launched a series of initiatives to:
a) create a new company, Tesmec France, to which Groupe Marais transferred the production and sales of Trenching machines. The mission of the new company, Tesmec France, wholly owned by Tesmec, is to continue the sale of Trenchers and the industrialisation of a range of specific accessories for the local market, as well as to be the strategic platform for the growth and development of the French activities in the Rail and Energy segments, ensuring a significant local added value. In particular, Tesmec France will develop a specialised service centre to support the Rail business, with the aim of meeting local needs for railway infrastructure maintenance solutions. At the same time, it will capitalise on the synergies between the Trencher and Stringing equipment divisions and provide the basis for promoting the commercial development of the smart grid solutions of the Energy Automation division, thanks also to the acquisition of new commercial opportunities with leading French operators;
b) sign a binding strategic agreement with OT Engineering, a French company belonging to the Comergy group specialised in digital network engineering and a trusted partner of the main contractors operating in France, which will see OT become a 50% shareholder in Groupe Marais, through a dedicated capital increase operation in Groupe Marais itself in several stages, to be completed in 2025. More specifically, the agreement provides for OT Engineering to subscribe to a reserved capital increase in Groupe Marais in two stages:
   - a first stage, already activated, in which OT Engineering will acquire a 20% stake in the share capital of Groupe Marais through the contribution of a Trencher business unit, followed by
   - a second stage in which OT Engineering will acquire a 50% stake in the share capital of Groupe Marais through a cash payment. The closing of the transaction is expected by 2025. The CEO of OT Engineering has been the operational chairman of Groupe Marais since the beginning.

This strategic agreement is very important for Tesmec, as it will allow:
(i) Groupe Marais to significantly strengthen its commercial and financial position, while generating significant synergies. Thanks to the new structure, Groupe Marais will integrate OT Engineering's Greenpose range, a global and innovative solution for laying fibre optic cables, and will focus on expanding its rental business into new sectors such as major works and pipelines. The injection of new capital by OT Engeneering will also allow us to better support the investments needed to develop further in the innovative French market. Moreover, the commercial synergies generated by the agreement will strengthen Groupe Marais presence in European markets and expand its activities in the US energy segment.

(ii) the Tesmec Group to optimise the structure of its invested capital in the Trencher segment by deconsolidating the activities of Groupe Marais, which are now focused exclusively on the Rental business. Moreover, the valuation of 100% of the pre-money capital of Groupe Marais will allow a capital gain to be recognised in the Consolidated income statement at the closing of the transaction, thereby strengthening the Group's capital structure;
(iii)Tesmec France focuses on trencher production and support for the railway and automation sectors.

In line with the above, the 2024 Results were prepared in accordance with IFRS 5, which involves the line-by-line deconsolidation of the results of the Rental business of Groupe Marais in both the Income statement and the Balance sheet, and their reclassification as items relating to Discontinued operations. Furthermore, in accordance with IFRS 5, for the purposes of a more effective comparison, the income statement data for 2023 financial year have been appropriately reclassified in order to ensure comparability of the data.

As a result of all of the above, the Tesmec Group closed 2024 with a pre-tax profit of Euro 3.8 million, compared to a pre-tax loss of Euro -1.5 million in 2023, reclassified for IFRS 5 (Euro -4.6 in the final 2023 figure) and with a marginally positive Net result from continuing operations compared to the slight loss of the previous year. Considering the Net result from discontinued operations, a loss of Euro -5.1 million, the Group's Net result for 2024 was a negative Euro 4.8 million.

In financial terms, also as a result of the impact of the application of IFRS 5 in relation to the strategic agreement described above and further detailed in the Report, the Net Financial Position of the Tesmec Group as at 31 December 2024 was Euro 147.0 million, down from both Euro 153.5 million as at 31 December 2023, and Euro 176.0 million as at 30 September 2024, mainly due to the exposure of the financial liabilities relating to the Rental branch of Groupe Marais among the liabilities held for disposal.

The 2023 final data, 2023 reclassified for IFRS 5 and 2024 final data are summarised below, bearing in mind that the reclassification of the comparative data pursuant to IFRS 5 concerned only the income statement figures as required by the relevant accounting principle.

(Euro in thousands)	**Final 2024 figures**	**Final 2023 figures**	**2023** reclassified for IFRS 5
Revenues	239.5	251.9	236.0
EBITDA	41.1	34.0	32.8
EBITDA margin	*17.2%*	*13.5%*	*13.9%*
Pre-tax profit/(loss)	3.8	(4.6)	(1.5)
Net result from continuing operations	0.2	(2.7)	(0.3)
Net result from discontinued operations	(5.1)	-	(2.4)
Net result	(4.8)	(2.7)	(2.7)
Net financial position	147.0	153.5	N/A

The following comments relating to the comparison of 2024 income statement data are made with respect to the corresponding 2023 data reclassified in accordance with IFRS 5, unless otherwise specified.

B. Results for 2024

Consolidated revenues in 2024 amounted to Euro 239.5 million, a level slightly above Euro 236.0 million in 2023 (+1.5%), with EBITDA reaching Euro 41.1 million, an increase of 25.2% compared to Euro 32.8 million in 2023.
This significant recovery in gross operating profitability was achieved thanks to the management actions initiated at the end of 2023 and implemented during 2024, in line with the Group's strategy of prioritising profitability over volume and focusing on the highest margin market segments; this was accompanied by the measures to improve management efficiency implemented during the year, which led to a significant reduction in operating costs. All divisions, from Trencher (which achieved a significant margin recovery despite lower volumes due to a better sales mix and containment of operating costs) to Energy and Rail contributed to the significant margin improvement.

More precisely:
- with regard to the Energy segment, Revenues amounted to Euro 77.3 million as at 31 December 2024, an increase of 14.1% compared to Euro 67.7 million as at 31 December 2023, with a strong performance driven by the demand for Stringing equipment solutions, which recorded robust growth, together with a positive trend in the Energy-Automation segment. In particular, the Stringing equipment segment recorded Revenues of Euro 50.8 million, a

significant increase compared to Euro 42.9 million as at 31 December 2023, while the Energy-Automation segment recorded Revenues of Euro 26.5 million, also an increase compared to Euro 24.8 million as at 31 December 2023. EBITDA for the Energy segment reached Euro 11.3 million (with an EBITDA margin of 14.7%), up from Euro 10.0 million as at 31 December 2023 (when the EBITDA margin was 14.7%), as a result of higher volumes. The opportunities offered by the energy transition confirm a growing trend for the sector, with an order backlog of Euro 162.6 million as at 31 December 2024, a significant increase compared to Euro 120.9 million as at 31 December 2023, of which Euro 136.6 million refer to the Energy-Automation segment (with a multi-year duration, confirming the expected growth of this segment in the medium term) and Euro 26.0 million relating to the Stringing equipment segment (traditionally with a short-term duration);

- with regard to the Trencher segment, Revenues amounted to Euro 111.9 million as at 31 December 2024, compared to Euro 121.4 million as at 31 December 2023. This reduction in revenues is mainly due to lower volumes in the US market (also affected by uncertainty about investments by customers following the outcome of the presidential elections) and delays in the start of new projects in Australia, only partially offset by the positive contribution of the African and Middle Eastern markets, which have recently confirmed the correctness of the Group's strategy to develop their commercial potential. Moreover, despite lower revenues, the Trencher division recorded a significant recovery in EBITDA, from Euro 14.3 million in 2023 to Euro 20.2 million as at 31 December 2024, with the profit margin on sales that increased from 11.7% in 2023 to 18.1% in 2024. As already mentioned, this recovery was made possible by the far-reaching recovery management measures implemented by the Division, based on both an improved sales mix, in line with the management's decision to prioritise higher value-added activities, and a significant reduction in operating costs. As at 31 December 2024, the order backlog of the Trencher segment, excluding the backlog of discontinued operations (France), which will continue to contribute to the development of the Trencher business, amounted to Euro 66.2 million, compared to Euro 51.5 million in 2023;
- with regard to the Rail segment, Revenues amounted to Euro 50.4 million as at 31 December 2024, up from Euro 46.9 million as at 31 December 2023, thanks to the progress of the new work orders awarded in the past, although they started with delays due to the late definition of technical aspects by the contracting authority. EBITDA for the segment was Euro 9.5 million as at 31 December 2024, with an EBITDA margin of 18.9%, compared to Euro 8.6 million as at 31 December 2023 (when the EBITDA margin was 18.3%). As previously communicated, the Group implemented a strategic change in the business model for this sector, which now focuses on the execution of higher value-added work orders in diagnostic systems and the diversification of reference markets. As a result, the multi-year order backlog as at 31 December 2024 amounted to Euro 121.9 million, compared to Euro 210.1 million as at 31 December 2023. This reduction appears to be contingent and related to the tenders currently being awarded. For the future, the internationalisation strategy, which will benefit from the strategic reorganisation of the Group in France with the creation of a specialised service centre for the rail segment to support the business, will ensure significant local value added. As a result, the Group expects to realise its full potential in the coming quarters through the acquisition of new work orders that are currently being finalised.

Excluding approximately Euro 1 million of higher amortisation and depreciation, the operating income (EBIT) amounted to Euro 20.4 million as at 31 December 2024, an even stronger improvement in percentage terms compared to Euro 13.0 million of 2023 (+57%).

In terms of financial components, the Group recorded higher net interest expense and commissions of Euro -4.6 million in 2024 compared to 2023, which were only partially offset by changes in exchange rates, the latter going from a loss of Euro -2.2 million in 2023 to a gain of Euro 0.3 million in 2024. As a result, Tesmec recorded a final net balance of financial expenses of Euro -16.6 million in 2024, compared to Euro -14.5 million in 2023.

As a result of the above, the Tesmec Group closed the 2024 financial year with a positive Pre-tax profit/(loss) of Euro 3.8 million, a significant improvement compared to the pre-tax loss of Euro -1.5 million of 2023.

Finally, the Income Statement for 2024 closed with:

- a Net result from continuing operations showing a marginal profit (Euro 0.2 million), compared to a loss of 2023 (Euro -0.3 million), with a smaller improvement compared to what was commented on in the operating results due to a different and less favourable tax mix;
- a negative Net result from discontinued operations of Euro -5.1 million,

which, together, resulted in a negative Net result for the year of Euro 4.8 million.

On the basis of the above, the overall backlog of the Tesmec Group as at 31 December 2024 amounted to approximately Euro 351 million compared to approximately Euro 382 million of 2023, with a significant increase in the Energy Business Unit (which acquired important contracts both in Italy and abroad, as a proof of the growth cycle that has begun in this segment) and Trencher segments, and a decrease in the Rail segment, which is expected to acquire new work orders in 2025.

Furthermore, at geographical level, Tesmec is confirmed as a group strongly oriented towards international markets, with approximately 77% of Consolidated revenues for the period generated outside Italy, with a growing contribution of sales in Africa and the Middle East.

On the other hand, the financial results as at 31 December 2024 were significantly and positively impacted by the effects of the strategic agreement in France, with the following changes compared to those as at 31 December 2023:

- Net invested capital (of Euro 224.6 million) decreased by Euro 7.2 million, mainly due to the strategic operation in France, with a reduction in net fixed capital and other medium/long-term assets/liabilities, as well as higher net liabilities related to discontinued operations. These reductions in net invested capital more than offset the increase in working capital, which increased due to higher trade receivables and lower trade payables and other current liabilities, which together were higher than the significant reduction in inventories;
- the Net Financial position (of Euro 147.0 million) improved by approximately Euro 6.5 million. It is also worth noting the even greater discontinuity in the values of the Financial Position as at 31 December 2024 compared to the value as at 30 September 2024, when it had reached a peak of Euro 176.0 million; as a result of the described Groupe Marais transaction, the completion of which is considered highly probable within the first half of 2025, and the consequent classification of the related assets and liabilities held for sale in a single line of assets and liabilities, the net financial position does not include net financial liabilities of Euro 15.6 million relating to the rental branch, of which Euro 4.8 million are short-term and Euro 10.8 million are long-term.
- Equity (of Euro 77.6 million) decreased by approximately Euro 0.6 million, due to the operating loss offset by changes in items, in particular, the translation reserve, as a result of the level of exchange rates as at 31 December 2024.

With reference to Tesmec's financial structure as at 31 December 2024, it should be noted that:

1. the Net financial position consists of:
   - Euro 99.8 million (approx. 68%) of Operating Debt, entirely against consolidated Working Capital;
   - Euro 33.8 million (approx. 23%) of the recognition of a loan relating to IFRS 16, largely against leasing contracts for part of the Group's trenching machines and the value of rents;
   - the residual Euro 13.4 million (approx. 9%) of Industrial Debt for the portion of the residual fixed assets not directly covered by Equity.
2. the duration of the Net Financial Position, which includes medium/long-term payables of Euro 80.1 million, IFRS 16 items of Euro 33.8 million, appears more than adequate compared to the duration of the portion of medium/long-term Assets not directly covered by Shareholders' Equity, amounting to a total of Euro 47.1 million.
3. as at 31 December 2024, the Group's liquidity stood at Euro 29.6 million, which, together with the cash generation expected in the year and with the ordinary business of negotiating and obtaining credit lines to partially replace those expiring, is estimated to guarantee financial continuity over the next 12 months and the implementation of the development programmes underway.

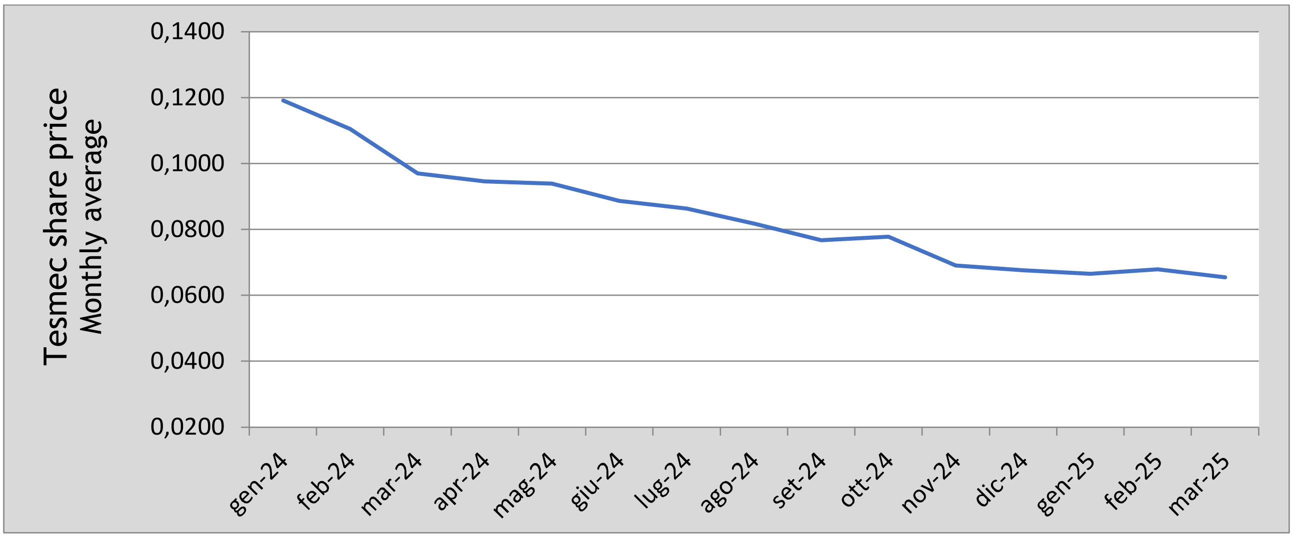
C. *Outlook for 2025*

In 2024, Tesmec continued with its development strategy in markets that are extremely dynamic and have strong growth prospects, providing solutions for the digitalisation and implementation of telecommunications networks and the development of the mining segment. In the Trencher segment, investment in infrastructure, power lines and Fibre to the Home projects continues to grow driven by government incentives and increasing demand for connectivity. The rail segment is looking to the future with confidence, thanks to substantial investments aimed at reducing road traffic congestion, promoting sustainable mobility and improving the safety of rail transport through diagnostics and maintenance of power lines. Finally, energy transition continues to be an important opportunity for Tesmec, with an increasing focus on the power lines being adapted to the new demands created by the use of renewable energy.
With reference to 2025, given the uncertainty of the current geopolitical and macroeconomic context and in continuity with the operational and strategic change initiated in 2024, the Company expects growth to be driven by opportunities in sectors led by the energy transition, with significant prospects related to the backlog of the Energy-Automation segment, the growing demand for Stringing equipment solutions, the internalisation strategy of the Rail segment and the positive outlook for cable laying and surface mining technologies for the Trencher segment. Thanks to its international presence and current production structure, with factories in both Italy and the USA, the Company also believes it is well placed to meet the challenges posed by the current macroeconomic scenario. Management

remains committed to prioritising profitability and cash generation over volume, while continuing to pursue strategic initiatives to strengthen the industrial base and increase the efficiency of invested capital.

2.2 Tesmec on the Stock Exchange Market

As at 31 December 2024, the reference price of the Tesmec share was equal to Euro 0.0675 per share while market capitalisation as at 31 December 2024 amounted to Euro 40.94 million. At the date of this report, the reference price is Euro 0.067 per share, and the capitalisation is approximately Euro 40.63 million. The following chart shows the listing price trend of the shares of the Parent Company from 1 January 2024 to March 2025: Note that the book value of the consolidated shareholders' equity of Euro 77.6 million as at 31 December 2024, remains at a more significant level than that already recorded at the end of the previous financial year, was higher than the market capitalisation at the same date, which continued to decrease in the following months, at the end of the financial year. Although this trend is believed to be related to the volatility of market prices, as well as the general trend of the stock market with reference to securities with similar characteristics to the Tesmec share, 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 2024	0.0675
Reference price as at 10 March 2025	0.0670
Maximum price (3 January 2024) (1)	0.1334
Minimum price (27 November 2024) (1)	0.0532

(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 that occurred during the period are reported below:

- in the first months of 2024, the subsidiary Tesmec Rail S.r.l. inaugurated a new headquarter in Bozzolo (MN), where it began to carry out some of the contractual maintenance work on the rail vehicles it produces. The site in question, which has already been identified and equipped, guarantees more efficient management of the fleet of vehicles to be maintained, reducing the time and cost of transporting the vehicles to be maintained, which are located throughout the national railway network and are directed to the Bozzolo or Monopoli site according to logistical efficiency criteria;

- on 4 March 2024, the Shareholders' Meeting of East Trenchers S.r.l. approved the distribution of dividends in the amount of Euro 50 thousand;

- on 4 March 2024, the Shareholders' Meeting of Bertel S.r.l. approved the distribution of dividends in the amount of Euro 700 thousand;

- on 16 April 2024, the Shareholders' Meeting of Tesmec Rail S.r.l. approved the distribution of dividends in the amount of Euro 2 million;

- on 16 April 2024, the Shareholders' Meeting of 4Service S.r.l. approved the distribution of dividends in the amount of Euro 500 thousand;

- on 18 April 2024, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2023 and the allocation of the Net result. Therefore, during the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2023 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement; in addition, in the extraordinary session, the amendments to Article 5 and Article 9 of the Articles of Association were approved for the purpose of introducing increased voting rights and the amendments relating to the "Shareholders' Meeting" chapter of the Articles of Association;

- during the month of August 2024, the transfer of production in the stringing equipment segment from the Endine Gaiano factory, whose lease had expired, to the Grassobbio production site was completed;

- on 13 June 2024, the subsidiary Tesmec Rail S.r.l. signed a loan agreement of Euro 5 million with Solution Bank S.p.A. This loan has a duration of 6 years, expiring on 30 June 2030, and bears a floating rate benchmarked to the 3-month Euribor index plus a spread of 4.79%;

- on 20 June 2024, on the occasion of World Refugee Day 2024, the Tesmec Group announced that it had received the "Welcome. Working for Refugee Integration" award, which is assigned every year by UNHCR Italy (United Nations High Commissioner for Refugees) to companies that, according to their capabilities, have distinguished themselves by hiring new beneficiaries of international protection, or in any case by promoting their concrete employment and social integration, as well as to companies that have promoted the creation of self-employment activities by beneficiaries of international protection;

- on 23 July 2024, the parent company Tesmec S.p.A. signed a loan agreement of Euro 10 million with ICCREA. This loan has a duration of 3 years, expiring on 30 June 2027, and bears a floating rate benchmarked to the 3-month Euribor index plus a spread of 1.95%;

- on 13 September 2024, the parent company Tesmec S.p.A. signed a loan agreement of Euro 3 million with Banca Ifis S.p.A. This loan has a duration of 5 years, expiring on 30 September 2029, and bears a floating rate benchmarked to the 3-month Euribor index plus a spread of 4.05%;

- on 7 October 2024, Tesmec Rail S.r.l. won a tender for the delivery, installation and commissioning of a peripheral system for a towed diagnostic vehicle for the Swiss Federal Railways (SBB), with the aim of ensuring a high level of safety and availability of the Swiss rail network and making a significant contribution to the maintenance of the railway infrastructure. The awarding of this contract is strategic for the Company as it marks Tesmec's entry into the Swiss market, which is characterised by high technological standards, although the economic value of the work order does not have a significant impact on the consolidated results;

- on 21 October 2024, the Milan Tax Court of First Instance upheld the appeal of the parent company, Tesmec S.p.A., against the tax assessment notice received during the year and relating to the 2017 tax year, concerning the contested deductibility of costs relating to the then existing relationship with SIMEST S.p.A., a public company that was then the Group's partner in foreign investments in the USA and France. The company's operations were therefore found to be in order;

- on 19 December 2024, Tesmec successfully completed the placement of a non-convertible, unlisted and unsecured bond called "Tesmec S.p.A. Euribor 6M + 3,65% 2024-2029 - Amort Euro 8.000.000", represented by 80 bearer securities with a nominal value of Euro 100,000 and a total capital of Euro 8 million. The Bond Issue, fully subscribed by Mediocredito Centrale, Finlombarda S.p.A., the financial company of the Lombardy Region, and Banca Finint S.p.A., will expire on 19 December 2029 and have an annual gross nominal variable interest rate equal to the 6M Euribor rate + 3.65%, net of any step-ups related to compliance with certain financial parameters, with a grace period of 12 months.

As part of the development of the company structure, the following are of note:

- on 15 November 2024, the company Tesmec France SAS was established, a 100% subsidiary of Groupe Marais SAS based in Durtal (France). This company was created following a reorganisation of the French subsidiary Groupe Marais, with the aim of concentrating the production and sale of Trenchers in Tesmec France SAS, while the rental activities of its fleet of machines for mechanised cable-laying services will be concentrated in Groupe Marais SAS;

- on 20 December 2024, a Binding Termsheet was signed with a third party, OT Engineering (a French company belonging to the Comergy group), based in Meylan (Grenoble) and operating in the trencher rental sector, which provides, in successive steps, for OTE to acquire a stake in the capital of Groupe Marais SA and for the latter to contribute its fleet of trenchers in order to create a centre specialised in this specific field of activity. The agreement provides for a 50% equal shareholding by Tesmec and the third party shareholder, to be finalised in subsequent steps, with governance rules reflecting a situation of joint control. On the same date, 20 December 2024, OTE acquired a stake in Groupe Marais and the shareholders' meeting decided to appoint Philippe Todesco, former chairman of the board of directors of OTE, as chairman of the board of directors with effect from 7 January 2025. Completion of all the steps defined in the Binding Termsheet to complete the transaction is expected in the first half of the 2025 financial year.

- on 31 December 2024, Tesmec Australia (Pty) Ltd sold its entire shareholding in Marais Laying New Zealand (Pty) Ltd to Tesmec S.p.A. for NZD 3,881 thousand;

2.4 Assets and liabilities held for sale

As described in the previous paragraph, in December 2024, the Parent Company Tesmec S.p.A. started to develop a series of strategic initiatives in France to further strengthen the Group's competitive position and to increase the synergies between the different divisions for the further development of the local market.

In particular, Tesmec reorganised its French subsidiary, Groupe Marais SAS, to focus its activities on the rental of its fleet of machines as part of its mechanised cable-laying services, while the production and sale of Trenchers was transferred to a new company, Tesmec France SAS, wholly owned by Tesmec.

To strengthen the industrial project, the French subsidiary Groupe Marais SAS, which focuses on the core rental business, signed an agreement with OT Engineering (a French company of the Comergy group) to acquire 50% of its share capital.

As required by International Accounting Standards (IFRS 5), as of 31 December 2024 the assets in question were classified as held for sale - in consideration of the binding conditions of the binding termsheet signed in December 2024 which provides for the finalisation of the transaction within the first half of 2025 - the Group has proceeded to reclassify the economic and financial elements in the Income Statement, Statement of Financial Position and Cash Flow Statement.
With regard to the Income Statement, in particular, the revenues and costs pertaining to the activities in question were reclassified as "Net loss for the year of assets held for sale". A similar reclassification was made to the 2023 income statement items for comparative purposes.

With regard to the Balance Sheet, the relevant assets and liabilities were reclassified as "assets held for sale" and "liabilities held for sale" for the 2024 financial year.

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 2024. The following table shows a summary of the profit and loss indicators achieved in 2024 and in 2023 and the main financial position indicators as at 31 December 2024 and as at 31 December 2023.

	OVERVIEW OF RESULTS	
31 December 2023	**Key income statement data** (Euro in millions)	**31 December 2024**
236.0	Operating Revenues	239.5
32.8	EBITDA	41.1
13.0	Operating Income	20.4
(3.0)	Group Net Result	(5.2)
1,026	Number of employees	990
31 December 2023	**Key financial position data** (Euro in millions)	**31 December 2024**
231.7	Net Invested Capital	224.6
78.2	Shareholders' Equity	77.6
153.5	Group net financial indebtedness	147.0
31.2	Net investments in property, plant and equipment, intangible assets and rights of use	21.0

3.1 Alternative performance measures

In this section, a number of Alternative Performance Measures not envisaged by IFRS (non-GAAP measures) and used by the directors in order to allow a better assessment of the Group's operating performance are illustrated. The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015.

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

- EBITDA: it is represented by the operating income including amortisation/depreciation and can be directly inferred from the consolidated income statement.
- Net working capital: it is calculated as current assets net of current liabilities excluding financial assets and financial liabilities, and can be directly inferred from the consolidated 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 and 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 no. 5/21 of 29 April 2021).

3.2 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 division. During the 2024 financial year, it generated revenues of Euro 29,211 thousand (Euro 39,893 thousand in 2023). 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. During the 2024 financial year, the two companies generated revenues of Euro 24,217 thousand (Euro 38,190 thousand in 2023).

- 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 2024 financial year, it recorded revenues of Euro 50,557 thousand (Euro 47,245 thousand in 2023).

- 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 9,720 thousand (Euro 3,408 thousand in 2023).

- Groupe Marais SAS, with registered office in Durtal (France), indirectly controlled by Tesmec S.p.A., through the holding company Marais Technologies SAS, a 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 2024 financial year, it recorded revenues of Euro 20,382 thousand (Euro 29,929 thousand in 2023).

- Marais Laying Tech. (Pty) Ltd. based in Auckland (New Zealand), company 100% owned by Tesmec S.p.A. specialised in the business of rental and sale of trenchers in the Oceanic market. During the 2024 financial year, it recorded revenues of Euro 6,464 thousand (Euro 5,423 thousand in 2023).

- 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 2024 financial year, it recorded revenues of Euro 26,375 thousand (Euro 24,772 thousand in 2023).

- Tesmec Peninsula WLL, a de facto subsidiary (pursuant to the IFRS 10 standard) 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 2024 financial year generated revenues totalling Euro 9,945 thousand (Euro 11,784 thousand in 2023);

- 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 2024, it generated revenues totalling Euro 15,813 thousand (Euro 12,743 thousand in 2023).

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 2024 financial year generated revenues totalling Euro 13,784 thousand (Euro 17,628 thousand in 2023).

3.3 Consolidated income statement

The Group closed the financial year as at 31 December 2024 with a positive operating income of Euro 20,436 thousand (Euro 13,027 thousand in 2023), with a net profit for the year of continuing operations of Euro 236 thousand and with a net loss of Euro 5,181 thousand compared to a net loss of Euro 2,969 thousand as at 31 December 2023. The following table shows the trend of major economic indicators as at 31 December 2024 compared to 31 December 2023.

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Revenues from sales and services	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**
Cost of raw materials and consumables	(108,978)	-45.5%	(106,258)	-45.0%	(2,720)
Costs for services	(42,687)	-17.8%	(47,875)	-20.3%	5,188
Payroll costs	(53,003)	-22.1%	(56,615)	-24.0%	3,612
Other net operating costs/revenues	(4,702)	-2.0%	(6,897)	-2.9%	2,195
Amortisation/Depreciation	(20,666)	-8.6%	(19,800)	-8.4%	(866)
Development costs capitalised	10,559	4.4%	13,491	5.7%	(2,932)
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	367	0.2%	941	0.4%	(574)
Total operating costs	**(219,110)**	**-91.5%**	**(223,013)**	**-94.5%**	**3,903**
Operating income	**20,436**	**8.5%**	**13,027**	**5.5%**	**7,409**
Financial expenses	(17,886)	-7.5%	(13,603)	-5.8%	(4,283)
Financial income	973	0.4%	1,293	0.5%	(320)
Net foreign exchange gains/losses	308	0.1%	(2,187)	-0.9%	2,495
Portion of losses/(gains) from the valuation of equity investments using the equity method	4	0.0%	(8)	0.0%	12
Pre-tax profit/(loss)	**3,835**	**1.6%**	**(1,478)**	**-0.6%**	**5,313**
Income tax	(3,599)	-1.5%	1,177	0.5%	(4,776)
Net profit/(loss) for the year of continuing operations	**236**	**0.1%**	**(301)**	**-0.1%**	**537**
Net loss for the year of assets held for sale	**(5,053)**	**-2.1%**	**(2,397)**	**-1.0%**	**(2,656)**
Net profit/(loss) for the year	**(4,817)**	**-2.0%**	**(2,698)**	**-1.1%**	**(2,119)**
Profit/(loss) attributable to non-controlling interests	364	0.2%	271	0.1%	93
Group profit/(loss)	**(5,181)**	**-2.2%**	**(2,969)**	**-1.3%**	**(2,212)**

Revenues

Total revenues as at 31 December 2024 increased by 1.5% compared to those recorded in the previous financial year.

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Sales of products	202,103	84.4%	196,066	83.1%	6,037
Services rendered	33,534	14.0%	33,533	14.2%	1
Changes in work in progress	3,909	1.6%	6,441	2.7%	(2,532)
Total revenues from sales and services	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**

Revenues by geographic area

The Group's turnover is mainly produced abroad (by 76.9%) and in particular in non-EU countries. The revenue analysis by area is indicated below, compared with the 2024 financial year and the 2023 financial year. Growth was observed in the Middle Eastern and African markets thanks to the contribution of sales in the Trencher sector, while the Rail and Energy-Automation sectors remain the reference sectors for the Italian market.

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)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Italy	55,413	23.1%	52,900	22.4%	2,513
Europe	54,799	22.9%	48,934	20.7%	5,865
Middle East	38,463	16.1%	34,289	14.5%	4,174
Africa	26,883	11.2%	11,796	5.0%	15,087
North and Central America	28,786	12.0%	46,749	19.8%	(17,963)
BRIC and Others	35,202	14.7%	41,372	17.5%	(6,170)
Total revenues	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 31 December 2024 decreased by 2.9% compared to those recorded in the previous financial year.

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Cost of raw materials and consumables	(108,978)	-45.5%	(106,258)	-45.0%	(2,720)
Costs for services	(42,687)	-17.8%	(47,875)	-20.3%	5,188
Payroll costs	(53,003)	-22.1%	(56,615)	-24.0%	3,612
Other net operating costs/revenues	(4,702)	-2.0%	(6,897)	-2.9%	2,195
Development costs capitalised	10,559	4.4%	13,491	5.7%	(2,932)
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	367	0.2%	941	0.4%	(574)
Total operating costs net of depreciation and amortisation	**(198,444)**	**-82.8%**	**(203,213)**	**-86.1%**	**4,769**

The table shows a decrease in operating costs of Euro 4,769 thousand (2.3%). This decrease is mainly due to the reduction in costs for services and labour costs resulting from the efficiency recovery initiatives launched between the end of 2023 and the first quarter of 2024, both in terms of operating structure and industrial structure, which resulted in:

- the transfer of the Endine Gaiano plant and the concentration of Stringing equipment production activities at the Grassobbio plant, which has become this segment's global hub;
- the launch of a temporary lay-off scheme programme at the Sirone plant, dedicated to precision mechanics processing, together with an industrial relaunch plan for the site;
- management actions to contain the workforce and related costs in the Group's Italian companies;
- the control of fixed operating charges and corporate governance actions at the Group's foreign companies, which, in addition to a more effective local management of the commercial development activities, also led to a reduction in personnel costs.

EBITDA

As a result of the foregoing, EBITDA amounted to Euro 41,102 thousand, up by 25.2% 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 2024	% of revenues	2023	% of revenues	2024 vs 2023
Operating income	20,436	8.5%	13,027	5.5%	7,409
+ Amortisation/depreciation	20,666	8.6%	19,800	8.4%	866
EBITDA	**41,102**	**17.2%**	**32,827**	**13.9%**	**8,275**

EBITDA amounted to Euro 41,102 thousand, up from Euro 32,827 thousand of the previous financial year as a result of the initiatives for operational efficiency and strategic relaunch.

Financial Management

(Euro in thousands)	Financial year ended 31 December 2024	% of revenues	2023	% of revenues	2024 vs 2023
Net financial income/expenses	(16,427)	-6.9%	(11,892)	-5.0%	(4,535)
Net foreign exchange gains/losses	308	0.1%	(2,187)	-0.9%	2,495
Fair value adjustment of derivative instruments	(486)	-0.2%	(418)	-0.2%	(68)
Portion of losses/(gains) from the valuation of equity investments using the equity method	4	0.0%	(8)	0.0%	12
Total net financial income/expenses	**(16,601)**	**-6.9%**	**(14,505)**	**-6.1%**	**(2,096)**

The net financial management result decreased compared to the same period in the previous financial year by a total of Euro 2,096 thousand, due to:

- the negative impact of net financial income/expense of Euro 4,535 thousand due to the increase in rates applied to a higher level of indebtedness;
- a positive impact from Foreign exchange gains/losses of Euro 2,495 thousand, resulting from the favourable trend of exchange rates as at 31 December 2024 compared to 31 December 2023, which resulted in net gains totalling Euro 308 thousand (largely unrealised) compared to net losses of Euro 2,187 thousand (also largely unrealised).

Net result of continuing operations

(Euro in thousands)	Financial year ended 31 December 2024	% of revenues	2023	% of revenues	2024 vs 2023
Net profit/(loss) for the year of continuing operations	**236**	**0.1%**	**(301)**	**-0.1%**	**537**
Net loss for the year of assets held for sale	**(5,053)**	**-2.1%**	**(2,397)**	**-1.0%**	**(2,656)**
Net profit/(loss) for the year	**(4,817)**	**-2.0%**	**(2,698)**	**-1.1%**	**(2,119)**

The net result for the year of continuing operations amounted to Euro 236 thousand (Euro -301 thousand in 2023) after reclassification to "Net loss for the year of assets held for sale" relating to Groupe Marais. As described in the table below, in the last two financial years the income statement of discontinued operations had contributed negatively to the Group's result with Euro -5,053 thousand and Euro -2,698 thousand, respectively.

Result of assets held for sale

(Euro in thousands)	Financial year ended 31 December 2024	% of revenues	2023	% of revenues	2024 vs 2023
Revenues from sales and services	**13,210**	**100.0%**	**15,877**	**100.0%**	**(2,667)**
Cost of raw materials and consumables	(2,171)	-16.4%	(2,513)	-15.8%	342

Costs for services	(3,751)	-28.4%	(4,336)	-27.3%	585
Payroll costs	(5,558)	-42.1%	(6,715)	-42.3%	1,157
Other net operating costs/revenues	(1,806)	-13.7%	(1,125)	-7.1%	(681)
Amortisation/Depreciation	(3,348)	-25.3%	(3,153)	-19.9%	(195)
Total operating costs	**(16,634)**	**-125.9%**	**(17,842)**	**-112.4%**	**1,208**
Operating income	**(3,424)**	-25.9%	**(1,965)**	-12.4%	**(1,459)**
Financial expenses	(1,651)	-12.5%	(1,242)	-7.8%	(409)
Financial income	65	0.5%	92	0.6%	(27)
Pre-tax profit/(loss)	**(5,010)**	-37.9%	**(3,115)**	-19.6%	**(1,895)**
Income tax	(43)	-0.3%	718	4.5%	(761)
Net loss for the year of assets held for sale	**(5,053)**	**-38.3%**	**(2,397)**	**-15.1%**	**(2,656)**

The net loss for the year of assets held for sale amounted to Euro -5,053 thousand (Euro -2,397 thousand in 2023) as a result of the reduction in sales and the related reduction in costs that was not in line with the reduction in revenues, due to a structure of fixed costs that predominated over variable costs.

Net result

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Net profit/(loss)	**(4,817)**	-2.0%	**(2,698)**	-1.1%	**(2,119)**
Profit/(loss) attributable to non-controlling interests	364	0.2%	271	0.1%	93
Group net profit/(net loss)	**(5,181)**	-2.2%	**(2,969)**	-1.3%	**(2,212)**

Results for the period amounted to Euro -4,817 thousand (Euro -2,698 thousand in 2023) after deducting taxes of Euro 3,599 thousand (Euro +1,177 thousand in 2023).
Net of the portion attributable to non-controlling interests, the net result is Euro -5,181 thousand.

Profitability ratios

		Financial year ended 31 December	
Ratio	*Composition*	**2024**	**2023**
Return on sales (R.O.S.)	Operating income/Net revenues	8.5%	5.5%
Return on investment (R.O.I.)	Operating income/Invested capital	9.1%	5.6%
Return on equity (R.O.E.)	Net result/Shareholders' equity	-6.7%	-3.8%
Invested capital turnover	Net revenues/Invested capital	1.07	1.02
Working capital turnover	Net revenues/Working capital	2.40	2.72
Debt ratio/EBITDA	Net financial position/EBITDA	3.58	4.68
Debt ratio	Net financial position/Shareholders' equity	1.89	1.96

The table above summarises the main trends that characterised the financial statements of the Group as at 31 December 2024 compared to 31 December 2023.

3.4 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 December 2024 compared to those as at 31 December 2023, broken down into the three operating segments.

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Energy	77,315	32.3%	67,745	28.7%	9,570
Trencher	111,851	46.7%	121,408	51.4%	(9,557)
Rail	50,380	21.0%	46,887	19.9%	3,493
Total revenues	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**

In 2024, the Group achieved total revenues of Euro 239,546 thousand compared to Euro 236,040 thousand in 2023, recording an increase of 1.5%. This result is the combined effect of different trends in the three segments:

- Energy: with regard to the Energy sector, revenues amounted to Euro 77,315 thousand, an increase of 14.1% compared to the figure of Euro 67,745 thousand recorded as at 31 December 2023, with a strong performance driven by the demand for Stringing equipment solutions, which recorded robust growth, together with a positive trend in the Energy-Automation segment. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 50,808 thousand, compared to Euro 42,922 thousand as at 31 December 2023 (+18.4%). The Energy-Automation segment achieved revenues of Euro 26,507 thousand, compared to Euro 24,823 thousand as at 31 December 2023.

- Trencher: revenues of the Trencher segment amounted to Euro 111,851 thousand, decreasing by 7.9% compared to Euro 121,408 thousand as at 31 December 2023. This reduction in revenues is mainly due to lower volumes in the US market (also affected by uncertainty about investments by customers following the outcome of the presidential elections) and delays in the start of new projects in Australia, only partially offset by the positive contribution of the African and Middle Eastern markets, which have recently confirmed the correctness of the Group's strategy to develop their commercial potential.

- Rail: the Rail segment recorded revenues amounting to Euro 50,380 thousand, down by 7.4% from Euro 46,887 thousand recorded as at 31 December 2023, thanks to the progress of the new work orders awarded, albeit started with delays due to the late definition by the contracting authority of technical aspects.

Operating costs by segment

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Energy	72,003	93.1%	62,697	92.5%	9,306
Trencher	102,100	91.3%	117,860	97.1%	(15,760)
Rail	45,007	89.3%	42,456	90.5%	2,551
Total operating costs	**219,110**	**91.5%**	**223,013**	**94.5%**	**(3,903)**

Operating costs, depreciation and amortisation including, were down 1.8% compared to the prior period, in inverse proportion to the sales trend (+1.5%).

The tables below show the EBITDA as at 31 December 2024 compared to that as at 31 December 2023, broken down into the three operating segments:

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Energy	11,366	14.7%	9,967	14.7%	1,399
Trencher	20,190	18.1%	14,261	11.7%	5,929
Rail	9,546	18.9%	8,599	18.3%	947
EBITDA	**41,102**	**17.2%**	**32,827**	**13.9%**	**8,275**

Margins increased in absolute terms by Euro 8,275 thousand (from Euro 32,827 thousand in 2023 to Euro 41,102 thousand in 2024) in percentage terms from 13.9% in 2023 to 17.2% in 2024. This result is the combined effect of different trends in the three segments:

- the Energy segment reached an EBITDA of Euro 11,366 thousand (or 14.7% of sales), an increase of Euro 1,399 thousand compared to Euro 9,967 thousand in 2023. 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 6,232 thousand, up Euro 863 thousand compared to Euro 5,369 thousand in 2024, while the Energy-Automation segment reported an EBITDA of Euro 5,134 thousand, up Euro 536 thousand compared to Euro 4,598 thousand in 2023;

- the Trencher segment generated an EBITDA of Euro 20,190 thousand (equal to 18.1% of Revenues), an increase of Euro 5,929 thousand compared to Euro 14,261 thousand in 2023 thanks to a better sales mix and the containment of operating costs.

- the Rail segment had an EBITDA of Euro 9,546 thousand (equal to 18.9% of Revenues), an increase of Euro 947 thousand compared to Euro 8,599 thousand in 2023 thanks to the implementation of a strategic change in the business model, which now focuses on the execution of higher value-added work orders in diagnostic systems and the diversification of reference markets

Operating Income

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Stringing Equipment	5,312	6.9%	5,048	7.5%	264
Trencher	9,751	8.7%	3,548	2.9%	6,203
Rail	5,373	10.7%	4,431	9.5%	942
Total operating income	**20,436**	**8.5%**	**13,027**	**5.5%**	**7,409**

The operating income as at 31 December 2024 stood at Euro 20,436 thousand (8.5% of revenues) up compared to Euro 13,027 thousand (5.5% of revenues) achieved as at 31 December 2023.

3.5 Balance sheet and financial profile

The financial position of the Group as at 31 December 2024 compared to 31 December 2023 is briefly shown in the table below.

	Financial year ended 31 December		
(Euro in thousands)	**2024**	**2023**	**2024 vs 2023**
USES			
Net working capital	99,817	86,835	12,982
Fixed assets	106,880	119,622	(12,742)
Other long-term assets and liabilities	21,941	25,284	(3,343)
Assets and liabilities held for sale	(4,075)	-	(4,075)
Net invested capital	**224,563**	**231,741**	**(7,178)**
SOURCES			
Group net financial indebtedness	146,951	153,497	(6,546)
Shareholders' equity	77,612	78,244	(632)
Total sources of funding	**224,563**	**231,741**	**(7,178)**

A) Net working capital

	Financial year ended 31 December		
(Euro in thousands)	**2024**	**2023**	**2024 vs 2023**
Trade receivables	55,429	45,643	9,786
Work in progress contracts	36,734	29,247	7,487
Inventories	96,134	110,621	(14,487)
Trade payables	(79,905)	(82,842)	2,937
Other current assets/(liabilities)	(8,575)	(15,834)	7,259
Net working capital	**99,817**	**86,835**	**12,982**

Net working capital of Euro 99,817 thousand increased by Euro 12,982 thousand compared to 31 December 2023. This trend is mainly due to increase due to higher trade receivables and lower trade payables and other current liabilities, which together were higher than the significant reduction in inventories.

B) Fixed assets

(Euro in thousands)	Financial year ended 31 December 2024	2023	2024 vs 2023
Intangible assets	42,238	39,348	2,890
Property, plant and equipment	34,160	45,081	(10,921)
Rights of use	23,373	28,868	(5,495)
Equity investments in associates	7,066	6,285	781
Other equity investments	43	40	3
Fixed assets	**106,880**	**119,622**	**(12,742)**

Total *fixed assets* recorded a net decrease of Euro 12,742 thousand compared to 31 December 2023 mainly due to the decrease in "Property, plant and equipment" of Euro 10,921 thousand.

C) Other medium to long-term assets and liabilities

(Euro in thousands)	Financial year ended 31 December 2024	2023	2024 vs 2023
Financial receivables and other non-current financial assets	9,803	11,993	(2,190)
Non-current trade receivables	2,912	2,575	337
Other non-current assets	8	717	(709)
Deferred tax assets	14,748	21,939	(7,191)
Employee benefit liability	(3,915)	(4,110)	195
Deferred tax liabilities	(1,615)	(7,830)	6,215
Other long-term assets and liabilities	**21,941**	**25,284**	**(3,343)**

Medium to long-term assets and liabilities decreased by Euro 3,343 thousand from Euro 25,284 thousand as at 31 December 2023 to Euro 21,941 thousand as at 31 December 2024. This change is mainly generated by the decrease in deferred tax assets of Euro 7,191 thousand.

D) Net Financial Indebtedness

	Financial year ended 31 December			
(Euro in thousands)	**2024**	***of which with related parties and group***	**2023**	***of which with related parties and group***
Cash and cash equivalents	(29,559)		(53,680)	
Current financial assets	(35,740)	*(1,496)*	(27,888)	*(2,605)*
Current financial liabilities	98,135	*1,081*	103,811	*1,081*
Current financial liabilities from rights of use	10,454		9,398	
Current portion of derivative financial instruments	47		-	
Current financial indebtedness	**43,337**	***(415)***	**31,641**	***(1,524)***
Non-current financial liabilities	80,124	*1,899*	92,007	*1,899*
Non-current financial liabilities from rights of use	23,314		29,849	
Non-current portion of derivative financial instruments	176		-	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	**103,614**	***1,899***	**121,856**	**1,899**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**146,951**	***1,484***	**153,497**	***375***
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	**146,951**	***1,484***	**153,497**	***375***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2024, is equal to Euro 113,183 thousand with a decrease of Euro 1,067 thousand compared to the end of 2023.

The net financial indebtedness as at 31 December 2024 decreased by Euro 6,546 thousand compared to the end of 2023 (-4.3%). This decrease is due to the reclassification, in accordance with IFRS 5, of financial liabilities amounting to Euro 15,627 thousand relating to the trencher rental business operating in France (Groupe Marais) to "Assets and liabilities held for sale", of which Euro 4,810 thousand are short-term and Euro 10,817 thousand are long-term; for further details please refer to paragraph *6 Assets and liabilities held for sale* in the explanatory notes.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 11,696 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 16,269 thousand;
  - decrease in current financial liabilities of Euro 5,676 thousand mainly due to the reclassification of the financial liabilities of Groupe Marais mentioned above, and due to the short-term reclassification of the portions to be reimbursed in 2025;
- decrease in medium/long-term financial indebtedness of Euro 18,242, mainly due to the reclassification of the Groupe Marais financial liabilities mentioned above.

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 2024 were met.

It should be noted that the net financial position shown above and derived from the financial statements does not include the financial payables relating to Groupe Marais, which have been reclassified in accordance with IFRS 5. If the Group had also included these payables in the net financial position, the covenants relating to some of the existing loans would not have been met, resulting in the reclassification to short-term of financial payables amounting to Euro 6,845 thousand due to the termination of the benefit of the time limit envisaged in the relevant loan contracts, with possible impacts on the verification of the Group's ability to meet its obligations in the foreseeable future of 12 months from the end of the reporting period.

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 7,962 thousand (Euro 6,122 thousand as at 31 December 2023).

Shareholders' Equity

	Financial year ended 31 December		
(Euro in thousands)	**2024**	**2023**	**2024 vs 2023**
Share capital	15,702	15,702	-
Reserves	64,007	62,968	1,039
Profit/(loss) for the year	(5,181)	(2,969)	(2,212)
Non-controlling interests	3,084	2,543	541
Shareholders' equity	**77,612**	**78,244**	**(632)**

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 2024	
(Euro in thousands)	**Shareholders' Equity**	**Net result**
Amounts resulting from the financial statements of Tesmec S.p.A.	**98,947**	**3,356**
Consolidation adjustments		
a) Equity investments evaluated using the equity method	5,360	371

b) Difference between book value and assets of consolidated equity investments	(23,641)	
c) Results from consolidated equity investments	(455)	(455)
d) Translation reserve	6,293	
e) Elimination of dividends distributed by Companies of the Group	(3,250)	(3,250)
f) Elimination of intra-group items	(8,726)	(5,203)
Net effect of consolidation adjustments	*(24,419)*	*(8,537)*
Amounts attributable to the Group	**74,528**	**(5,181)**

Investments (CapEx)

Investments include capitalisations relevant to development projects (Euro 10,559 thousand, a significant decrease compared to the value of Euro 13,491 thousand as at 31 December 2023) 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.

3.6 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 related to business performance and financial situation

During 2024, Tesmec worked on the implementation:
1) of its management guidelines, based on actions aimed at a strong recovery in efficiency and profitability;
2) of its strategic guidelines, based on the optimisation of its business model, with a series of important operations on the French market.

With regard to the first aspect, also in the fourth quarter 2024, the Group continued its management actions to restore efficiency, with positive effects at a consolidated level from:
- the improvement in the sales mix, with volumes remaining essentially unchanged, accompanied by a strong reduction in operating costs, in line with the "value over volume" guideline;
- the increase in the efficiency of the production set-up, with the closure of the Endine Gaiano plant and the consequent concentration of the production activities of the Stringing equipment segment at the Grassobbio plant, which has thus become the hub for global production in this business segment, and from the use of the redundancy fund for the Sirone plant.

Taken together, these management actions resulted in an increase in productivity and efficiency ratios and more than offset (i) the effects of a still unfavourable trend in some specific markets related to the Trencher segment, (ii) the lower contribution compared to 2023 from the Condux Tesmec joint venture, which operates in the Stringing

equipment segment in the United States and (iii) lower contributions and capitalisations related to Research and Development, allowing a strong increase in the gross operating profitability ratio compared to 2023.
With reference to 2025, given the uncertainty of the current geopolitical and macroeconomic context and in continuity with the operational and strategic change initiated in 2024, the Company expects growth to be driven by opportunities in sectors led by the energy transition, with significant prospects related to the backlog of the Energy-Automation segment, the growing demand for Stringing equipment solutions, the internalisation strategy of the Rail segment and the positive outlook for cable laying and surface mining technologies for the Trencher segment. Thanks to its international presence and current production structure, with factories in both Italy and the USA, the Company also believes it is well placed to meet the challenges posed by the current macroeconomic scenario. Management remains committed to prioritising profitability and cash generation over volume, while continuing to pursue strategic initiatives to strengthen the industrial base and increase the efficiency of invested capital.

Furthermore, it is noted that the 2025-2028 Business Plan is based on assumptions characterised by considerable uncertainties. On the one hand, the Plan was prepared taking into account some general assumptions concerning future events that depend substantially on variables that cannot be controlled by the Company and the Group, relating to the outlook for the markets and sectors in which the Group operates and the trend of the macroeconomic scenario, which will not necessarily occur or may occur only partially, or to a certain extent, in a manner and/or at a time different from that envisaged. In this context, it should be noted that, although the plan was drawn up without specifically taking into account the impact of the Russian-Ukrainian conflict, the Group is not exposed to any significant reduction in assets related to a possible prolonged interruption of business with these markets (limited contribution to consolidated turnover in the last period of approximately 0.2%). On the other hand, the economic and financial projections assumed in the Plan were also defined on the basis of assumptions relating to compliance with the clauses of the financial agreements that entail limits on the use of financial resources (including covenants) and to the future development of the business, which are discretionary and relate to future events that are uncertain and partly beyond the control of the Directors and Management.
Therefore, due to the uncertainty associated with the realization of any future event, both as regards the occurrence of the event and as regards the extent and timing of its occurrence, there could be deviations, even significant ones, between final values and estimated values in the Plan, as well as delays in the execution of the Plan itself, with possible negative effects on the Group's business, equity and financial situation, economic results and prospects.

However, in this context, the Group believes that it has 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. When this risk arises, the Group has demonstrated in the past the ability to obtain waivers from the financing credit institutions, demonstrating the trust of the banking class, also confirmed by the Group's ability to refinance maturing debts, as also occurred in the 2024 financial year.

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 *45 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 organisation'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 formalised 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. Energy transition trends - decarbonisation, electrification and digitisation - are driving the formulation of the business strategies and their future implementation. Tesmec has not currently developed a model to quantify climate risks and opportunities relevant to the statement of financial position, the income statement and cash flows. As an integral part of its sustainability programme, Tesmec is committed to exploring these issues in greater depth over the coming years.

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.

Income statement

The income statement of the Parent Company in 2024 compared with that of the prior financial year is summarised below:

	Financial year ended 31 December				
(Euro in thousands)	2024	% of revenues	2023	% of revenues	2024 vs 2023
Revenues from sales and services	**124,329**	**100.0%**	**127,612**	**100.0%**	**(3,283)**
Cost of raw materials and consumables	(74,769)	-60.1%	(74,031)	-58.0%	(738)
Costs for services	(22,154)	-17.8%	(22,867)	-17.9%	713
Payroll costs	(25,031)	-20.1%	(23,911)	-18.7%	(1,120)
Other net operating costs/revenues	5,094	4.1%	2,070	1.6%	3,024
Amortisation/Depreciation	(7,394)	-5.9%	(5,784)	-4.5%	(1,610)
Development costs capitalised	4,190	3.4%	4,224	3.3%	(34)
Total operating costs	**(120,064)**	**-96.6%**	**(120,299)**	**-94.3%**	**235**
Operating income	**4,265**	**3.4%**	**7,313**	**5.7%**	**(3,048)**
Financial expenses	(16,227)	-13.1%	(15,967)	-12.5%	(260)
Financial income	15,765	12.7%	12,484	9.8%	3,281
Pre-tax profit/(loss)	**3,803**	**3.1%**	**3,830**	**3.0%**	**(27)**
Income tax	(447)	-0.4%	(470)	-0.4%	23
Net profit/(loss) for the year	**3,356**	**2.7%**	**3,360**	**2.6%**	**(4)**

Revenues from sales and services mainly refer to income deriving from the transfer of stringing machines and equipment and trenchers, these revenues decreased by 2.6%.
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 163 thousand for the 2024 financial year and to Euro 454 thousand for the 2023 financial year.
The table below illustrates the performance of EBITDA that increased by 11.0% compared to the previous financial period:

	Financial year ended 31 December				
(Euro in thousands)	2024	% of revenues	2023	% of revenues	2024 vs 2023
Operating income	4,265	3.4%	7,313	5.7%	(3,048)
+ Amortisation/depreciation	7,394	5.9%	5,784	4.5%	1,610
EBITDA	**11,659**	**9.4%**	**13,097**	**10.3%**	**(1,438)**

Operating Income

The operating income of Euro 4,265 thousand in 2024 is Euro 3,048 thousand lower than in 2023 due to the lower performance of the trencher segment.

Net result

The result for the period amounted to Euro 3,356 thousand (totalling Euro 3,360 thousand in 2023) after deducting taxes totalling Euro 447 thousand (income of Euro 470 thousand in 2023).

Balance sheet and financial profile

The financial position of the Company as at 31 December 2024 compared to 31 December 2023 is summarised in the table below.

	Financial year ended 31 December		
(Euro in thousands)	**2024**	**2023**	**2024 vs 2023**
USES			
Net working capital	19,803	26,443	(6,640)
Fixed assets	114,530	106,540	7,990
Other long-term assets and liabilities	25,973	23,186	2,787
Net invested capital	**160,306**	**156,169**	**4,137**
SOURCES			
Net financial indebtedness	61,359	60,610	749
Shareholders' equity	98,947	95,559	3,388
Total sources of funding	**160,306**	**156,169**	**4,137**

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

Working capital

	Financial year ended 31 December		
(Euro in thousands)	**2024**	**2023**	**2024 vs 2023**
Inventories	28,715	35,218	(6,503)
Trade receivables	46,792	42,406	4,386
Trade payables	(52,851)	(46,657)	(6,194)
Other current assets/(liabilities)	(2,853)	(4,524)	1,671
Net working capital	**19,803**	**26,443**	**(6,640)**

The Working capital compared to revenues decreased to 15.9% reported in 2024 from 20.7% in 2023. This result was affected by the decrease in "Inventories" of Euro 6,503 thousand and the decrease in trade payables of Euro 6,194 thousand.

Fixed assets

	Financial year ended 31 December		
	2024	**2023**	**2024 vs 2023**
Intangible assets	13,074	11,235	1,839
Property, plant and equipment	9,242	8,995	247
Rights of use	9,626	9,427	199
Equity investments in subsidiaries	81,541	75,839	5,702
Equity investments in associates	1,008	1,008	0
Other equity investments	39	36	3
Fixed assets	**114,530**	**106,540**	**7,990**

Total fixed assets recorded a net increase of Euro 7,990 thousand mainly due to the increase in *Equity investments in subsidiaries* of Euro 5,702 thousand.
This increase is due:

- to the acquisition of the entire shareholding in Marais Laying New Zealand (Pty) Ltd. for NZD 3,881 thousand, equal to Euro 2,095 thousand;
- to the increase in the value of the equity investment in Tesmec Rail S.r.l. following the partial waiver of outstanding financial receivables in order to guarantee the company's financial resources intended to cover the investment programme of the Puglia Region of Euro 3,600 thousand.

Net financial indebtedness

(Euro in thousands)	Financial year ended 31 December 2024	*of which with related parties and group*	2023	*of which with related parties and group*
Cash and cash equivalents	(12,805)		(22,284)	
Current financial assets	(65,408)	*(58,017)*	(60,419)	*(56,136)*
Current financial liabilities	74,069	*4,986*	70,447	*202*
Current financial liabilities from rights of use	3,659	*2,594*	2,664	*1,731*
Current portion of derivative financial instruments	47		-	
Current financial indebtedness	**(438)**	***(50,437)***	**(9,592)**	***(54,203)***
Non-current financial liabilities	55,866	*1,899*	63,318	*1,899*
Non-current financial liabilities from rights of use	5,755	*3,241*	6,884	*3,836*
Non-current portion of derivative financial instruments	176		-	
Non-current financial indebtedness	**61,797**	**5,140**	**70,202**	**5,735**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**61,359**	***(45,297)***	**60,610**	***(48,468)***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2024, is equal to Euro 51,945 thousand with an increase of Euro 883 thousand compared to the end of 2023.

Net indebtedness stood at Euro 61,359 thousand as at 31 December 2024 from Euro 60,610 thousand as at 31 December 2023. The increase of Euro 749 thousand is mainly due to the decrease in cash and cash equivalents.

Shareholders' Equity

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

4 Sustainability reporting

4.1 General disclosures

4.1.1 Reporting standards

ESRS Standards	ESRS 2 BP-1, BP-2

General basis for preparation

The Consolidated Sustainability Report (Sustainability Report) of Tesmec S.p.A. and its subsidiaries (Tesmec Group, Tesmec, the Group) for the year ended 31 December 2024 was prepared in accordance with Article 4 of **Italian Legislative Decree 125/2024**, which implemented the **Corporate Sustainability Reporting Directive (CSRD) (EU) 2024/2464** in Italy.

The 2024 Sustainability Report is the first document published by the Tesmec Group under the new regulations and has been prepared in compliance with the **European Sustainability Reporting Standards** (**ESRS**) as required by the CSRD.

The objective of the Sustainability Report is to enable stakeholders to understand the significant impacts of the undertaking on people and the environment, and the material impact of sustainability topics on the development, results and situation of the undertaking.

The ESRS defines the information an undertaking must communicate about its **impacts**, **risks** and **opportunities** related to material environmental, social and governance **sustainability issues**. The materiality of sustainability topics arising from direct and indirect business relationships in the upstream and/or downstream value chain is determined through the application of the "double materiality" principle (DMA Double Materiality Assessment).

The ESRS and related reported indicators are those that represent the sustainability topics identified as material, consistent with Tesmec Group's business and related impacts, risks and opportunities. The process of analysing, identifying, evaluating and prioritising material topics, as described in chapter 4.1.4, risk and opportunity management in paragraph 4.1.4.1 Materiality analysis (materiality assessment), was carried out as required by the ESRS. This process is updated and gradually developed over time, as part of the Tesmec Group's sustainability (accountability) reporting process. Forward-looking statements are based on hypotheses of events that may occur in the future and possible future actions that will be implemented by Tesmec Group.

This document, based on the results of the Double Materiality Assessment (DMA), covers the first level of the value chain, both upstream and downstream.

The index summarising the information related to the different areas covered (Annex 1 - ESRS Content Index), which is published as an appendix to the Sustainability Report and forms an integral part of it, provides traceability to the data, indicators and other quantitative and qualitative information presented.

Tesmec did not make use of the option to omit certain information relating to intellectual property, know-how or results of innovation or any ongoing negotiations.

In order to allow the comparison of data over time and the assessment of the performance of the Tesmec Group, even if not required for the first year of reporting under ESRS, comparative data is presented for the two previous financial years, where necessary reclassified and restated according to different units of measurement compared to those reported in the Consolidated Non-Financial Statement (NFS) for the previous 2023 financial year, prepared pursuant to Italian Legislative Decree no. 254/2016.

The Sustainability Report includes the disclosure required by Article 8 of **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 provided in chapter 4.2 Environmental topics/paragraph 4.2.4 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852.

Reporting boundary

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 2024, for the entire reporting period (for the period from 1 January 2024 to 31 December 2024), except for what is specified below.

The boundary of environmental and social data and information is composed of the following companies consolidated on a line-by-line basis in the 2024 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 SAS, Tesmec Australia (Pty) Ltd., Marais Laying Tech. (Pty) Ltd. New Zealand, Tesmec Peninsula WLL, Marais Cote d'Ivoire SARL, Tesmec Guinee SARLU, Tesmec New Technology Ltd., Marais Trenching (Pty) Ltd. AFS, EURL Tesmec Energy, OOO Tesmec RUS and MIR SA. East Trencher S.r.l. was included for social impacts, while Tesmec Maroc for environmental impacts.

The following companies are also excluded from the reporting boundary of this document: 4 Service S.r.l., 4 Service USA, Bertel S.r.l., Marais Technologies SA.

In December 2024, the Parent Company Tesmec S.p.A. started to develop a series of strategic initiatives in France to further strengthen the Group's competitive position and to increase the synergies between the different divisions for the further development of the local market. In particular, Tesmec reorganised its French subsidiary, Groupe Marais SAS, to focus its activities on the rental of its fleet of machines as part of its mechanised cable-laying services, while the production and sale of Trenchers was transferred to a new company, Tesmec France SAS, wholly owned by Tesmec. It should be noted that no reclassifications were made for the purposes of the Sustainability Report and that the data reported refers to the entire 2024 financial year (1 January - 31 December).

Disclosures in relation to specific circumstances

Time horizons - Tesmec Group defines the time horizons in line with the provisions of ESRS 1 (section 6.4, Definition of short, medium and long term for reporting purposes). In particular, short term means the financial statement reference period, medium term up to five years and long term over five years.

Value chain estimation - The reporting metrics also include some value chain data, mainly related to GHG emissions. In accordance with the methodology adopted (GHG Protocol), this data is based on estimates, including indirect sources where direct data is not available.

Sources of estimation and outcome uncertainty - The process of reporting data on the ESG performance of certain topics requires the use of estimates by the Directors. Estimates are formulated on the basis of historical experience, primary and authoritative external sources, and through the use of external specialists and consultants, as well as on the basis of other information deemed reasonable in the circumstances. The possible use of estimates and the methods adopted are directly mentioned in the various paragraphs reporting on the material topics, to which reference should be made for further information.

The quantitative metrics subject to uncertainty in estimates and results refer in particular to the following topics and reporting areas:

Main reporting topics/areas subject to estimates (quantitative data)	Description and impact
ESRS E1 - GHG emissions - Scope 3	GHG emissions - Scope 3 along the value chain (upstream and downstream of the Tesmec production process) Uncertainties related to the type and quality of the data and the measurement techniques used, as required by the GHG Protocol. Potential impact: medium
ESRS E2 – Substances of concern	Substances used by the production companies of the Group in their activities Quantities of substances of concern used by the company Tesmec USA Inc. are estimated on Grassobbio plant's data due to similar type of activities

In order to mitigate the risk of error in the estimated ESG performance data, particularly those characterised by uncertainty, internal controls and validation processes are in place for the reported data and information.

Changes in preparation or presentation of information - 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, 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 indications, recalculation criteria and effects are highlighted in the corresponding chapters and paragraphs.

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements - Additional disclosures to those required by ESRS, stemming from other legislation that requires the undertaking to disclose sustainability information or from sustainability reporting standards and frameworks, are reported in the chapters and paragraphs relating to the specific topics. The list of information required for each datapoint deriving from other EU legislation, contained in appendix B of ESRS 2, is given in Annex 2 – Index of European Union legislative acts.

Incorporation by reference - The following table provides a list of the ESRS disclosures that have been incorporated by reference into the Sustainability Report and placed in another section of the Report on Operations/Financial Statement or Consolidated financial statements of the Tesmec Group.

Disclosures (Disclosure Requirement)	Paragraph
ESRS 2 SBM-1	4.1.2.1 Strategy, business model and value chain
ESRS 2 GOV-1	4.1.3.2 The process of information and management of sustainability topics
ESRS 2 GOV-1	4.1.3.1 The governance system

Use of phase-In provisions in accordance with Appendix C of ESRS 1 – In accordance with Appendix C of ESRS 1, the Tesmec Group has applied the phase-In provisions for quantifying the anticipated financial effects arising from risks and climate-related opportunities (disclosure requirement E1-9), pollution-related impacts (disclosure requirement E2-6), and resource use and circular economy-related impacts (disclosure requirement E5-6).

4.1.2 Strategy and business model

4.1.2.1 Strategy, business model and value chain

ESRS Standards	ESRS 2 SBM-1

The Tesmec Group, listed on the Euronext STAR Milan segment of the Euronext Milan market of the Italian Stock Exchange, thanks to the technological knowledge and the know-how gained from more than 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 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**.

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				■
Bozzolo**, Italy				■
Tesmec Automation S.r.l.				
Fidenza, Italy		■		
Patrica, Italy		■		
Padua, Italy		■		
Groupe Marais SAS				
Durtal, France			■	
Tesmec USA Inc.				
Alvarado, USA			■	■

** In June 2024, the transfer of production in the stringing equipment segment from the Endine Gaiano factory to the Grassobbio production site was completed.*
*** In the first few months of 2024, Tesmec Rail S.r.l. inaugurated the new headquarters in Bozzolo (MN), where it began to carry out some of the contractual maintenance work on the rail vehicles it produces.*

The Group has a global commercial presence on all continents through corporate structures and sales offices.

Total number of employees	990
Net revenues	Euro 239,546 thousand

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

Mission and role

The Tesmec Group operates in the market of technologies dedicated to infrastructures for the transmission of electrical power, data and materials, **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, always following a sustainable business approach.

Sustainability is a key factor in the Group's medium to long-term growth strategy. For Tesmec, **investing in sustainability means focusing on quality, efficient resource management and continuous product and process innovation**.

The creation of modern and digital infrastructures, the installation of fibre optic cables for widespread connectivity, the modernisation and securing of rail networks, the increase in sustainable mobility, the switch to the use of renewable energy sources, as well as the importance of strong, efficient power networks (Strong & Smart Grids) can only be consistent with an approach that pursues sustainable development.

The sustainability principles and the management of environmental, social and governance aspects are integrated in the company strategy and in the business model of the Tesmec Group.

Products and services

Energy segment

The Tesmec Group is active in the Energy segment in two specific market segments: **Energy Stringing (stringing equipment) 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.

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 companies 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 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.

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 **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**.

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

The development has taken place through both internal growth and acquisitions, including strategic operations involving 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.

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 direct 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.

The impact of the regulatory framework

The Group is subject to numerous **legal and regulatory requirements**, as well as national and international **technical standards**, with reference not only with its business areas but also with 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.

With reference to Council Regulation (EU) no. 2022/1269 of 21 July 2022 amending Regulation (EU) no. 833/2014, based on customs codes, trenchers and surface miners do not have dual use potential, but are subject to export restrictions to Russia, Belarus and Ukraine (Donetsk and Luhansk oblasts). In the same markets, there are limited restrictions on some components of Energy products.

The target markets for rail equipment are not subject to significant restrictions.
Tesmec carries out timely checks and preventive controls to ensure compliance with regulatory updates and related customs codes.

Business model and value chain

The technological solutions of the Tesmec Group 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.

Value chain of the Group

The main players in the value chain of the Tesmec Group are outlined below:

Procurement	The planning of the Group's purchases is carried out centrally by the Purchasing Function and in cooperation with the Production and Planning Departments. The Tesmec Group adopted a procurement policy aimed at diversifying suppliers of critical and high-tech components. The choice of suppliers is based not only on the characteristics of the supply (cost, quality, innovation), but also on the reputation of the supplier companies in terms of respect for workers' rights and the environment.
Inbound logistics	The Tesmec Group considers its suppliers to be an extension of the company organisation in the management of relationships
Operations	The Group invests in new technologies and in the training of its employees in order to obtain products manufactured with high quality processes and with reduced environmental impact.
Human resource management	Human resources are a company's greatest asset, which is why the Tesmec Group is committed to providing a safe, positive and skilled working environment.
Development of technologies	Research and Development is carried out internally through dedicated structures as it is considered strategic for the Group and one of the main factors for its success. Investment allows the Tesmec Group to develop cutting-edge technological solutions. The Tesmec Group's research activities are coordinated and managed centrally by the Technical Departments of the product lines.
Infrastructural activities (all other activities such as planning, financial accounting, organisation, ICT, legal affairs, etc.)	Management helps to promote the principles of business ethics and responsibility at all levels of the organisation and externally.
Outbound logistics	The Tesmec Group maintains a close relationship with its distributors to ensure a continuous exchange of information.
Customers - Commercial and marketing activities	The commercial activity, which varies according to the product lines, is managed by the Sales Department and includes three phases: (i) strategic marketing to guide product development; (ii) customer relations for the formulation and management of the technical-economic offer and the definition of the technical specifications of the solution requested by the customer; and (iii) negotiation and management of orders received.
Customers - Customer care and services	The Tesmec Group offers expertise, know-how, customised solutions and technical advice to assist the customer at every stage of the project. With a team of qualified engineers and technicians, Tesmec can assist the customer in defining the best way to achieve their objectives.

Suppliers

Tesmec identifies, selects and qualifies 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 Tesmec Group relies on the contribution **of more than 6,000 suppliers located in 60 countries around the world**, favouring partnerships with local companies. The Group's procurement is mainly focused on **raw materials**.

Production - The main raw materials most used by the production companies (Tesmec S.p.A., Tesmec USA, Inc., Groupe Marais SAS, Tesmec Rail S.r.l.) in the Trencher and Stringing equipment segments are **semi-finished products in steel and aluminium** (sheets, tubes, rounds, castings) and **semi-finished products in nylon** (rings and plates). The Energy-Automation segment mainly purchases **electronic assemblies, printed circuit boards and carrier insulators**. The Rail segment mainly purchases **running gear, electric traction systems, cranes and lifting platforms.**
The Group purchases **diesel engines, commercial, hydraulic and electronic components**, and various services to support all of its operations.

The planning of the Group's purchases is carried out by the Purchasing Function of the parent company and is also partly managed in the USA, in 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 (engines and others), wholesalers and suppliers of services supporting production and/or related to general factory services. Reducing levels along the supply chain provides economic benefits, maintained 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 **Trencher** 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 **Energy Automation** segment, the procurement flow follows a weekly planning 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 of the main players in the energy market, which require a qualified and selected supply chain.

In the **Rail** segment, Tesmec mainly works on a **work order** basis by bidding for tenders from the main rail companies for medium to long term projects (3 to 5 years). Their development favours ongoing relationships with key suppliers, which can be consolidated into relevant collaborations, as was the case with the Skoda Group in 2023.

Consumers and end-users

Customer focus is central to the Tesmec Group's development strategy. The Group's main objective is to focus its activities on understanding and satisfying its customers' needs by providing high value-added solutions.

End customers in the Energy segment

The aim of the Group's stringing equipment technologies is to develop an **advanced construction** site that reduces operating time and costs, while guaranteeing the highest levels of safety and respect for the environment.

In the **Energy Stringing equipment** segment, the end customers are state-owned companies entrusted with the management of transmission and distribution power lines and 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). The customer portfolio also includes specialised companies that work only on the

installation of wires through sub-contracts and companies that are mainly involved in the maintenance of existing power lines.
Tesmec's advanced **Energy Automation** systems in the substation digitalisation, automation and monitoring sectors, combined with the experience of highly specialised professionals, respond to the need to meet global energy demand, ensuring the reliability, safety, efficiency and resilience of the electrical infrastructure.

The main customers in the Energy Automation segment include electrical utilities that deal with 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, and, finally, companies involved in the integration of specific subsystems required for the operation of the electrical system (known as system integrators). There are also manufacturers of power units, such as transformers, who need to integrate intelligent monitoring devices into their supply package.

End customers in the Trencher segment

Tesmec's **Trencher and Surface Miner** systems offer efficient and safe solutions for in-line excavations, civil works, laying of networks with catenary wires system, surface mining and earthworks that mitigate environmental impacts compared to alternative excavation technologies available on the market. This is combined with the experience and know-how of the service team to provide the best possible support for machine and project management.

The end customers in the Trencher segment are dealers (companies that purchase trenchers from the Group and in turn sell or lease the trenchers, offering also post-sales services), contracting companies involved in the laying of pipelines, power cables and fibre optic cables and companies specialised in carrying out excavations working as subcontractors for the contracting companies.

The end users of the products are contracting companies involved in the construction of infrastructure, companies carrying out the laying and excavation work through sub-contracts and companies specialised in carrying out excavations and earthworks on both land and in quarries.

End customers in the rail segment

Tesmec's innovative works vehicles are designed in accordance with the latest international standards to ensure the safest, most efficient and fastest possible operation. The Group's advanced diagnostic technologies meet the growing demand for safety and intelligent mobility.

The customer portfolio in the rail segment includes state railway companies operating the national network, private companies involved in the construction and maintenance of rail infrastructure and specialised companies working on infrastructures through sub-contracts.

Employees by geographical areas

As at 31 December 2024, the Tesmec Group employed 990 people. The following workforce figures are calculated with reference to employees at the end of each period (HC/Head Count).

The geographical distribution of Group employees records 63.0% employed in Italy, 12.4% in France, 7.1% in the Unites States and the remaining 17.5% in other countries.

Total number of employees **by gender/geographical area**	**2024**			**2023**			**2022**		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Italy	112	512	624	110	515	625	96	479	575
France	17	106	123	19	117	136	16	122	138
USA	12	58	70	12	77	89	11	68	79
Rest of the world	22	151	173	19	157	176	21	152	173
Total	**163**	**827**	**990**	**160**	**866**	**1,026**	**144**	**821**	**965**

Revenue breakdown by segment

Revenue breakdown by segment and by geographical area in which the Group operates are shown below, pursuant to the application of the IFRS 5 principle. For more information, refer to chapter 3 Group economic and financial results and performance.
It should be noted that the Tesmec Group is not active in the fossil fuel sector, the manufacture of chemical products, controversial weapons, or the cultivation and production of tobacco.

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Energy	77,315	32.3%	67,745	28.7%	9,570
Trencher	111,851	46.7%	121,408	51.4%	(9,557)
Rail	50,380	21.0%	46,887	19.9%	3,493
Total revenues	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**

	Financial year ended 31 December				
(Euro in thousands)	**2024**	**% of revenues**	**2023**	**% of revenues**	**2024 vs 2023**
Italy	55,413	23.1%	52,900	22.4%	2,513
Europe	54,799	22.9%	48,934	20.7%	5,865
Middle East	38,463	16.1%	34,289	14.5%	4,174
Africa	26,883	11.2%	11,796	5.0%	15,087
North and Central America	28,786	12.0%	46,749	19.8%	(17,963)
BRIC and Others	35,202	14.7%	41,372	17.5%	(6,170)
Total revenues	**239,546**	**100.0%**	**236,040**	**100.0%**	**3,506**

Tesmec's commitment to sustainable development - Strategy (driver/pillar) and sustainability topics

The Tesmec Group operates in **strategic sectors for the development and modernisation** of countries and economies of reference. The Tesmec Group's commitment to sustainability is therefore integrated into its role and business model, in line with the market drivers that guide its strategy as a Solution provider.

As already mentioned, 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)

The SDGs - Sustainable Development Goals, 17 Goals for sustainable development - are an integral part of the United Nations 2030 Agenda, 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.

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.

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.

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, discussed in detail in chapters 2 Environmental topics and 3 Social topics.

In paragraph 1.2.3 Material, risks and opportunities and their interaction with strategy and business model/Objectives and material topics, the objectives that the Tesmec Group has set itself in relation to its material sustainability topics are presented, considering significant products and services, customer categories, geographical areas and relationships with stakeholders.

The Sustainability Plan

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 actions to be implemented to achieve them, integrated with the business plan.

The Plan enhances the company's commitment to developing responsible business practices throughout the value chain in order to create positive impacts and minimise negative ones, not only from an economic but also from an environmental and social perspective, generate value for both the company and all stakeholders and help to improve its reputation.

The guidelines of the Sustainability Plan of the Tesmec Group 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 on 5 November 2021.
In particular, Tesmec Group's strategic guidelines in terms of sustainability and ESG approach cover the following priorities:

- **E**nvironment, 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.
- **E**nvironment, 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.
- **S**ocial, 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.
- **G**overnance, focus on Sustainability governance: designing effective sustainability governance for the coordination, management and monitoring of actions planned to achieve the SDGs. Constantly undertaking to conduct company business in compliance with the highest ethics standards, operating in compliance with applicable laws and regulations.

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

Innovation, Research & Development for sustainable development

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**, also thanks to the use of hybrid and fully electric engines.

In 2024, investment in innovation and R&D amounts to 4.4% of revenues.

At Intermat 2024, the Sustainable Construction Solutions and Technology exhibition, held in Paris from 24 to 27 April 2024, the Trencher division of the Group presented the **electric version of the Sidecut model** during round table discussions with customers and key players in the international market. The technological and sustainable advantages of this solution were emphasised.

The Stringing equipment division organised a meeting with customers at the premises of its subsidiary in the North American market (Power-Up Summit 2024), with the aim of strengthening relationships with local stakeholders and promoting, among other things, full-electric solutions, such as the **PES500 model**, specifically designed for the US electrical distribution segment.

The **Rail division** contributes to supporting the development of sustainable mobility by introducing to the market **electric works vehicles with catenary wire system collector, electric and hybrid** to minimise environmental impact, together with **diagnostic solutions to increase the safety of the rail infrastructure**. At InnoTrans 2024, the world's leading trade fair for transport technology (September 2024), the Group presented cutting-edge solutions in the field of electrification and diagnostics, including an innovative diagnostic data management platform to ensure a safer rail network.

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 **30 patents** and **5 registered patents**.

Digital transformation

Digitalisation has become strategically important. 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 Operators), 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 depend 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.

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.

Commitment to the Community and the territory - Social responsibility

Respect and consideration for people are the fundamental principles of Tesmec's sustainability policy. Strengthening local ties through community support and active participation in charitable initiatives is a strategic objective for the Group. During 2024, Tesmec promoted two charity collections: the first to collect food for the Banco Alimentare food bank, and the second to collect toys to donate to local children's hospitals. The Group also donated to the Banco Alimentare Onlus Foundation and the Libellula Foundation - the latter fights violence and discrimination - by purchasing solidarity gifts for its employees.

On the occasion of World Refugee Day 2024, the **Tesmec Group** also received the "**Welcome. Working for Refugee Integration**" award, which is assigned every year by **UNHCR Italy** (United Nations High Commissioner for Refugees) to companies that, according to their capabilities, have distinguished themselves by hiring new beneficiaries of international protection, or in any case by promoting their concrete employment and social integration, as well as to companies that have promoted the creation of self-employment activities by beneficiaries of international protection.

In line with Sustainable Development Goal (SDG) 4, on quality education ("ensure inclusive and equitable quality education and promote lifelong learning opportunities for all"), and with SDG 8, on decent work and economic growth ("promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"), Tesmec renewed its commitment to the communities of young NEETs ("Not in Education, Employment or Training"), in collaboration with Fondazione Riva and Aslam. The project aims to develop and strengthen the key skills of students and prepare a new generation of professionals who can face the challenges of the labour market with confidence and competence.

In September 2024, Tesmec hosted a group of young people at its premises in Grassobbio for a company visit enriched with group activities aimed at analysing and solving realistic work-related problem-solving cases.

As in previous years, in 2024 the employees of the French company Groupe Marais showed their support for the breast cancer awareness campaign by taking part in a charity walk in October, as part of the “Octobre Rose” initiative.

In compliance with **Tesmec's Charity Policy**, the **Charity Committee** was also set up with four representatives from company management and workers. This committee will be tasked with developing and implementing a new corporate social volunteering project for the coming years. The areas of intervention identified are social and health care, welfare and health, professional empowerment of young people and women, combating poverty and promoting social inclusion programmes. To this end, meetings were organised with associations that have been Tesmec partners in previous years, in order to consolidate and develop existing collaborations.

4.1.2.2 Stakeholders: interests and expectations

ESRS Standards	ESRS 2 SBM-2

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.

The active involvement of stakeholders is essential to understanding the needs, concerns and opportunities that may arise in the context of a business. Although Tesmec has not changed its strategy or business model, listening to and analysing the perspectives of its stakeholders enables it to better adapt its corporate policies to maximise sustainability, respond to new market demands, mitigate risks and seize long-term opportunities.
The market and institutional stakeholders (such as regulatory bodies or public authorities) are increasingly concerned about environmental topics. To this end, the Group focuses its investments on technological innovation processes that reduce the environmental impact of its products and services. With an increasing focus on a sustainable value chain, the Group gives preference to suppliers who subscribe to the Supplier Code of Ethics and meet high standards regarding workers' rights and occupational safety. Tesmec integrates environmental, social and governance (ESG) considerations into its strategy, in line with investor demand for sustainable finance.

In 2025, Tesmec will strengthen its engagement through direct relationships with stakeholders, with a particular focus on suppliers and customers. This commitment will lead to the building of stronger and more lasting relationships based on trust, transparency and collaboration.

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 Call Conference Result Presentations IR Events	Approval of financial statements
Investors and lenders	IR Events Conference call Result Presentations	Presentation of strategy/company results
Financial and/or commercial partners	Events/Webinars	Presentations of new projects
Own workforce	Internal communications	Involvement in company life
Labour 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

The Group promotes and participates in numerous events to identify stakeholder interests and expectations.

During 2024, 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.

The Group activated various channels to listen and dialogue with its stakeholders and to understand their views.

Tesmec organised **several meetings with stakeholders**, with a particular focus on its employees, to discuss issues relating to the business and market trends.
Participation in prestigious events such as the Euronext STAR Conference and other meetings sponsored by leading financial intermediaries enabled Tesmec to strengthen its relationship with investors and analysts, providing an important opportunity to present its strategy and answer their questions.

Trade fairs also play a fundamental role, providing a strategic opportunity to interact directly with customers and partners. These events allow us to showcase the latest innovations, gather feedback on the solutions we offer and better understand the needs of the market.
These aspects are explored in more detail in the following chapters.

Tesmec publishes a Sustainability Report outlining the results achieved, areas for improvement and future targets. Stakeholders can provide feedback on this report and suggest changes or additions.

Institutional investors are paying increasing attention to ESG aspects and Tesmec is committed to providing transparent and comprehensive information on these topics, integrating the sharing of sustainability goals and their implementation into the ongoing dialogue on the company's strategy and model.

Understanding the interests and opinions of the main stakeholders is fundamental to implement a sustainable and responsible business strategy.
As part of the due diligence process, during periodic meetings, Tesmec analyses the results of specific engagement initiatives for its strategic decisions including the management of environmental, social and governance risks. This process enables us to identify and understand the issues that matter most to our stakeholders, so that we can align our strategy with their expectations and mitigate the associated risks.

Tesmec's administrative, management and supervisory bodies are regularly informed of the opinions and interests of the stakeholders during regular meetings, especially with regard to sustainability-related impacts. This process is essential to ensure that business decisions are in line with the interests and expectations of the various stakeholders and to respond to sustainability risks and opportunities in a timely and appropriate manner.
The administrative and supervisory bodies are involved at key moments in the decision-making process of the sustainability strategy, in particular when it comes to dealing with social, environmental and economic impacts and risks.
The main communication channels are the periodic reports (environmental, social and governance), the annual reporting and the meetings of the Control, Risk and Sustainability Committee and the Board of Directors.

4.1.2.3 Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS Standards	ESRS 2 SBM-3, ESRS 2 MDR-T

This paragraph summarises the material impacts, risks and opportunities, as resulting from the identification and assessment process (Double Materiality Assessment – see paragraph 1.4.1 Materiality analysis (materiality assessment) and how these material topics are integrated into the strategy and business model.

Material topics (IRO - Material Impacts, Risks, Opportunities)

The analytical information on the impacts, risks and opportunities associated with each material topic is provided in the sections where the topics are discussed (topical ESRS). The table below summarises this information. In particular, it should be noted that the material topics were identified by reference to the topics (ESRS topic), sub-topics (ESRS Sub-topic) and sub-sub topics (ESRS sub-sub topic).

Material topics (IRO)	Topic description [Impacts, Risks, Opportunities]	Characteristics [Impacts, Risks, Opportunities]
Environmental topics		
E1 Climate change		
Energy	Impacts Direct negative impacts related to energy consumption for the activities of the Group, such as electricity for lighting and the operation of certain machinery, fuel for company vehicles, natural gas for space heating, and fuels used in production processes or machinery.	Actual Negative Long-term On own operations
	Risks Risk related to the unavailability/volatility of the price of energy sources (operational and strategic).	Medium-term Along the value chain - upstream
	Opportunities Signing contracts for the supply of electricity from renewable sources, including electricity generated by our own facilities, in order to optimise energy management and reduce costs in the long term.	Long-term Along the value chain - upstream
Climate change mitigation	Impacts Direct negative impacts and along the value chain related to greenhouse gas emissions and consequent impacts on climate change. Emissions: - Scope 1 direct emissions related to fuels used for handling company vehicles and production/machinery; - Scope 2 indirect emissions related to the use of electricity; - Scope 3 indirect emissions along the value chain for purchased goods and services, production goods, transportation and distribution of purchased and sold goods, waste generated in operations, business travelling, employee commuting, leased assets, and use of sold products.	Actual Negative Long-term On own operations and along the value chain
	Risks Transition risks due to increased regulation on climate change and risks of technological obsolescence of company assets.	Short- and medium-term On own operations
	Opportunities	Medium-term

	Communication aimed at highlighting some significant aspects of the Group's products compared to the competition in order to increase attractiveness, such as a lower carbon impact (carbon footprint of machinery). Development of machinery and equipment for the construction and maintenance of infrastructure with a lower environmental impact, reducing the consumption of fossil fuels and promoting the electrification of equipment.	On own operations and along the value chain - downstream
E2 Pollution		
Substances of concern	Impacts Direct negative impacts related to the use of substances of concern in production processes (machining and assembly processes), such as distillates and paraffin oils. These substances can have a negative impact on the environment, in terms of pollution and disposal, as well as on occupational health and safety.	Actual Negative Long-term On own operations
	Risks Risks related to increased exposure to regulatory restrictions and sanctions, as the use of substances classified as hazardous is subject to increasingly stringent environmental and safety regulations (e.g. REACH, CLP, European Chemicals Regulation), with possible legal and reputational impacts in case of non-compliance.	Medium-term On own operations
E5 Circular economy		
Resources inflows, including resource use	Impacts Negative environmental impacts along the supply chain due to high consumption of non-renewable natural resources (steel, aluminium, nylon, hydraulic and lubricating oils, etc.), with increased pressure on ecosystems. Research and development of circular materials/products and processes.	Actual Negative Long-term Along the value chain - upstream
	Risks Defective components/products supplied by third parties and incorporated/marketed by the Group. Risks due to the potential increase in supply costs related to the need for suppliers to adapt to new regulations regarding the supply of raw materials (e.g. circularity), which avoid impacts in terms of biodiversity and consumption of resources. Regulatory restrictions and environmental regulations (such as the European Green Deal and sustainability directives), which could impose stricter limits on the use of critical resources and the extraction of raw materials.	Long-term On own operations and along the value chain - upstream
	Opportunities Supplier selection, technical meetings, activity monitoring and quality control to offer high quality, circular products that satisfy the customer. Developing a circular economy approach by recovering and recycling materials used in production processes, reducing the need for virgin raw materials. Competitive advantage in low-emission sectors, providing sustainable infrastructure solutions for energy transition and network digitalisation.	Long-term On own operations and along the value chain - upstream

Waste	<u>Impacts</u> Direct negative impacts related to the generation of waste from production processes and their impact on the environment.	Actual Negative Long-term On own operations
	<u>Risks</u> Increasingly stringent European and national regulations on the management of hazardous and industrial waste (e.g. Waste Framework Directive, REACH and CLP regulations). Risk of sanctions and fines for non-compliance with environmental and disposal regulations. Reduction and recycling obligations imposed by regulations on circular waste management with impact on business operations.	Medium-term On own operations
	<u>Opportunities</u> Optimisation of waste management through processes that reduce, reuse and recycle production waste, thereby reducing the amount of waste sent for disposal. Reduction of operating costs through strategies to minimise waste and optimise production processes.	Long-term On own operations

Social topics		
S1 Own workforce		
Working conditions • Secure employment • Adequate wages • Social dialogue • Freedom of association, the existence of works councils and the information, consultation and participation rights of workers • Collective bargaining, including rate of workers covered by collective agreements • Work-life balance	Impacts Direct positive impacts related to attracting talent, developing employment and creating a peaceful and quality working environment to improve the well-being of workers, offering them adequate wages, working conditions in line with the relevant collective agreement, protecting their work-life balance and guaranteeing them the possibility of social dialogue and freedom of association.	Actual Positive Long-term On own operations
	Risks Difficulty in finding professionals with specific skills for the Group's business. Difficulty in finding qualified personnel to support production, which threatens the quality and efficiency of the production process. Difficulty in managing the workload resulting in delays in production, the need to outsource and hire new specialised personnel.	Long-term On own operations and along the value chain
	Opportunities Attracting talent and new professionals to support the Group's growth through Employer Branding activities carried out at universities and institutes.	Medium-term On own operations and along the value chain
Working conditions ▪ Health and safety	Impacts Potential direct negative impacts on the health and safety of Tesmec Group employees during the course of business activities.	Potential Negative Long-term On own operations
	Risks Risk of injury to workers on company premises. Personal injuries while travelling abroad, especially in high-risk countries Work-related injuries/personal injuries to workers during the configuration, commissioning and training of customers in the use of the Group's products in site areas defined by the purchaser or during the use of the Group's products to carry out specific excavation work agreed at the time of signing the purchase contract.	Long-term On own operations
Equal treatment and opportunities for all • Gender equality and equal pay for work of equal value • Employment and inclusion of persons with disabilities • Diversity	Impacts Direct positive impacts related to creating a work environment that respects and values diversity, is non-discriminatory and inclusive, and ensures equal opportunities and fair treatment	Actual Positive Long-term On own operations
	Risks Difficulties in organising and managing workers in the various companies of the Group due to cultural differences, resulting in unequal treatment and opportunities. Risks from incidents of discrimination between the Group's employees and workers due to inadequate measures and protocols for the protection of diversity and equal opportunities (reputational).	Long-term On own operations

	<u>Opportunities</u> Promotion of diversity as a stimulus for innovation and internal training with the aim of eliminating or reducing diversity in the Group.	Long-term On own operations
Equal treatment and opportunities for all ▪ Training and skills development	<u>Impacts</u> Direct positive impacts related to the technical and general training guaranteed to the Group's employees, promoting their personal and professional growth.	Actual Positive Long-term On own operations
	<u>Risks</u> Failure to update skills in a constantly evolving market, leading to skills gaps and delays in adopting new technologies, impacting operational efficiency and innovation. Risk arising from a high turnover rate and the resulting loss of key personnel with years of experience and internal training.	Long-term On own operations
	<u>Opportunities</u> Increased efficiency and adaptability by developing the skills needed to respond to new market challenges, technological innovations and regulatory changes, making the Group more agile and competitive.	Long-term On own operations
Other work-related rights • Child labour • Forced labour	<u>Impacts</u> Direct positive impacts related to the creation of a working environment that guarantees respect for human rights and rejects the use of child and/or forced labour.	Actual Positive Long-term On own operations
	<u>Risks</u> Risk arising from possible violations of workers' human rights or non-compliance with social standards in the course of their activities, which could lead to significant (reputational) disputes.	Long-term On own operations and along the value chain
S2 Workers in the value chain		
Working conditions • Secure employment • Working time • Adequate wages • Work-life balance • Health and safety	<u>Impacts</u> Direct positive impacts along the value chain related to the protection and empowerment of workers, with particular attention to their health and safety, adequate working time and wages, and work-life balance.	Actual Positive Long-term On own operations and along the value chain
	<u>Risks</u> Risk of increased in accidents and/or injuries to workers along the value chain, operational upstream and reputational downstream.	Long-term Along the value chain - upstream and downstream
Equal treatment and opportunities • Gender equality and equal pay for work of equal value • Training and skills development • Employment and inclusion of persons with disabilities	<u>Impacts</u> Direct positive impacts along the value chain related to the protection and empowerment of workers, with particular attention to their training and professional growth, episodes of discrimination and equal opportunities (remuneration, disability and diversity)	Actual Positive Long-term On own operations and along the value chain
	<u>Risks</u> Reputational risks arising from incidents of discrimination among workers in the value chain due to inadequate measures	Long-term

• Measures against violence and harassment in the workplace • Diversity	and protocols for the protection of diversity and equal opportunities.	Along the value chain - upstream and downstream
Other work-related rights • Child labour • Forced labour	<u>Impacts</u> Direct positive impacts along the value chain related to the protection of workers, focusing on topics such as forced labour and child labour	Actual Positive Long-term On own operations and along the value chain
	<u>Risks</u> Reputational and operational risks due to incidents of child and/or forced labour among workers along the value chain, upstream and downstream.	Long-term Along the value chain - upstream and downstream
S4 Consumers and end-users		
Information-related impacts for consumers and end-user • Privacy	<u>Impacts</u> Negative potential direct impacts on privacy rights (sensitive IT content) and IT system security (potential data breach)	Potential Negative Long-term On own operations
	<u>Risks</u> Compromising the privacy of suppliers' or customers' personal data due to an unintentional error by internal personnel or as a result of a cyber/malware attack. Compromising the privacy, integrity and availability of strategic/confidential company information due to external and/or internal illegal acts. Compromising the privacy, integrity and availability of strategic/sensitive customer information	Long-term On own operations and along the value chain
Personal safety of consumers and/or end-users • Health and safety • Security of a person	<u>Impacts</u> Potential direct negative impacts related to the marketing and use of products if they do not meet customer requirements/specifications.	Potential Negative Long-term On own operations
	<u>Risks</u> Risks arising from complex and specific customer requirements that make it difficult to maintain high quality and safety standards and increase internal costs. Operational and reputational risks arising from a failure to control product safety, thereby compromising the health and safety of consumers and end-users.	Long-term On own operations and along the value chain - downstream
	<u>Opportunities</u> Barrier to entry for potential competitors due to the Group's experience and extremely high quality standards	Long-term On own operations and along the value chain - upstream

Governance topics		
G1 Business conduct		
Corruption and bribery • Prevention and detection including training • Incidents	Impacts Direct negative potential impacts on the reputation and continuity of the Tesmec Group as a result of a behaviour by the Group that does not meet the criteria of ethics and integrity.	Potential Negative Long-term On own operations
	Risks Risk related to anti-competitive behaviour, antitrust and monopolistic practices by the Group (legal-reputational). Risks related to corruption in highly corrupt markets in which the Group operates. These risks include regulatory violations, legal impacts and reputational damage, with potential operational difficulties in environments characterised by non-compliant practices. Risks, especially in the Middle East and Africa, due to a lack of knowledge of local practices, rules and regulations (legal - tax - compliance). Risks related to adapting to possible changes in the legislative/regulatory framework in the countries in which the Group operates (legal).	Long-term On own operations
Management of relationships with suppliers including payment practices	Impacts Potential negative social and environmental impacts in the supply chain due to poor management by suppliers of their workforce and emissions, pollution or materials used.	Potential Negative Long-term On own operations and along the value chain - upstream
	Risks Operational risk related to the lack of continuity and unavailability of a critical/strategic supplier and the resulting business interruption, even if only partial. Delayed/failed delivery by Tesmec Group due to supplier related responsibilities. Operational risk related to the import of components and export of finished products from/to countries subject to restrictions/sanctions due to the international geopolitical situation, with consequent economic impact on the Group.	Long-term On own operations and along the value chain - upstream
Protection of whistle-blowers	Impacts Impact in terms of potential negative consequences of not protecting whistle-blowers who use the whistle-blowing channels.	Potential Negative Long-term On own operations
	Risks Reputational risk due to the failure to protect stakeholders who use whistle-blowing channels.	Long-term On own operations

In carrying out the dual materiality analysis, the Group considered where the impacts, risks and opportunities analysed were concentrated. In particular, for its own upstream value chain, direct suppliers were considered, while for the downstream value chain, the analysis focused on customers. In order to determine the materiality of these two categories of stakeholders in relation to each of the topics addressed, their geographical location and business areas of reference were considered.

The effects of the material impacts, risks and opportunities on the business model, strategy and decision-making process are analysed in detail in each material ESRS result. It should be noted that there are no current financial effects related to the risks and opportunities identified as material that have not been reflected in Tesmec's consolidated financial statements. As permitted by ESRS 1 (Appendix C - phase-in), the expected medium/long-term financial effects of the same risks and opportunities have not been quantified.

With reference to 2024 financial data, Tesmec Group has not developed an analysis to quantify material risks and opportunities on the statement of financial position, the income statement and cash flows. As an integral part of its sustainability programme, Tesmec is committed to exploring these issues in greater depth over the coming years.

Changes to the material impacts, risks and opportunities

With regard to the topics identified as material in the 2023 Non-Financial Statement NFS (prepared in accordance with Italian Legislative Decree no. 254/2016), the following are highlighted:
- Rationalisation and renaming of topics in relation to *ESRS 1 General Requirements*, AR 16.
- Specific evidence of the topic related to *ESRS E2 Pollution - Substances of Concern*, not stated in previous reports prepared according to GRI reporting standards.

Managing risks

With regard to the risks identified for the material topics of the Tesmec Group, a summary of the management methods applied is provided below.

Material topic	Risk	Management methods
Environmental		
Energy	Unavailability of energy sources Price volatility	• ISO 14001:2015 Environmental Management System • Grassobbio plant energy monitoring system; Self-production of energy from renewable sources. • HSE Policy. Sustainability Policy. • QHSE Manager; HSO (Italian companies); Consultants/specialists.
Climate change mitigation	Increased regulation on climate change and risks of technological obsolescence of company assets.	• HSE Policy. Sustainability Policy. • QHSE Manager; HSO (Italian companies); Consultants/specialists. • ISO 14067:2018 Carbon Footprint of Products.
Substances of concern	Increased exposure to regulatory restrictions and sanctions	• ISO 14001:2015 Environmental Management System • QHSE Manager; HSO.
Resources inflows, including resource use	Defective components/products Increase in procurement costs	• ISO 9001:2015 and ISO 14001:2015 Quality and Environmental Management Systems. • Sustainability Policy; Procurement Policy; Supplier qualification and valuation procedure.
Waste	Increasingly stringent European and national regulations on the management of hazardous and industrial waste Non-compliance with environmental and disposal regulations.	• ISO 14001:2015 Environmental Management System • HSE Policy. Sustainability Policy. • QHSE Manager; HSO (Italian companies); Consultants/specialists.

Social		
Own workforce/Working conditions	Finding professionals with specific skills Difficulty in managing the workload/delays in production, outsourcing and new specialised personnel.	• Partnerships with high schools and universities; Implementation of new HR management; Incentive plans; Dialogue with trade unions.
Own workforce/Health and safety	Risk of injury on site or during business travelling Injuries or occupational diseases due to poor health and safety organisation	• ISO 45001:2018 Occupational Health and Safety Management System • 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; H&S training.
Own workforce/Equal treatment and opportunities for all **Own workforce/Other work-related rights**	Difficulties in organising and managing due to cultural differences/unequal treatment and opportunities Incidents of discrimination incidents between the Group's employees and workers Possible violations of workers' human rights or non-compliance with social standards	• Reporting portal for violations; Human Rights Policy; Group Code of Ethics; Whistle-blowing Policy.
Own workforce/Training and skills development	Inadequacy of the Group's structure/new operational processes and development of new skills, services offered of lower quality than expected Risk arising from a high turnover rate/loss of key personnel	• Employee training; Strengthening of employer branding.
Workers in the value chain/Working conditions **Workers in the value chain/Equal treatment and opportunities for all**	Increase in accidents and/or injuries to workers along the value chain Incidents of discrimination among workers in the value chain	• Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
Workers in the value chain/Equal treatment and opportunities for all	Incidents of discrimination among workers in the value chain	• Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
Workers in the value chain/Other work-related rights	Incidents of child and/or forced labour among workers along the value chain	• Reporting portal for violations; Human Rights Policy; Group Code of Ethics; Whistle-blowing Policy. • Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.
Impacts related to information for consumers and/or end-users	Privacy and data protection	• Monitoring of regulatory and case law changes; GDPR compliance; Patent registration; Adoption of NDAs for the main projects.
Personal safety of consumers and/or end-users	More complex and specific requests/difficulties in maintaining extremely high quality and safety standards and higher internal costs	• ISO 9001:2015 Quality Management System • Supplier HSE audit; Supplier Code of Ethics; Procurement Policy; Supplier qualification and valuation procedure.

	Failure to control product safety/health and safety of consumers and end-users	
Governance		
Corruption and bribery	Anti-competitive behaviour and monopoly practices Penetration of highly corrupt markets Lack of knowledge of foreign practices, rules and regulations Possible changes in the legislative/regulatory framework in the countries in which the Group operates	• Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/01; Group Code of Ethics; Group Anti-Corruption 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.
Management of relationships with suppliers including payment practices	Failure/unavailability of a critical/strategic supplier/business interruption Delayed/failed delivery of sold products Import and export to/from countries subject to restrictions/sanctions	• 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.
Protection of whistle-blowers	Failure to protect stakeholders who use whistle-blowing channels.	• Whistle-blowing Policy

Objectives and material topics

The Tesmec Group has defined and pursues the following objectives in relation to the material topics identified. More information on the objectives and the actions that will be taken to achieve them is provided in the paragraphs that discuss each topic.

Material topics [Topic]	Objectives	Actions	SDGs
Environmental objectives			
E1 Climate change	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
	Reducing the organisation's environmental impact	Reducing Scope 2 indirect emissions	9
	Reducing the Group's upstream and downstream environmental impact	Development of a calculation model for emissions along the value chain (Scope 3 GHG) for the Group's foreign companies	11
E2 Pollution	Reducing the use of substances of concern	Optimisation and centralisation of the research and purchasing process for products used in the company's production departments	13
E5 Circular economy	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
	Eco-friendly waste management	Improved waste management and traceability of recovery, reuse and recycling operations Information actions on prevention, recycling and reuse	12 13

Social objectives		
S1 Own workforce	Commitment to establishing stable and long-lasting employment relationships	Application of policies on employment relationships in the absence of national collective agreements
	Development of professional skills and competences	Preparation of a training needs plan and knowledge mapping Training collaborations with institutions, schools and universities
	Strengthening and promoting a fair and inclusive working environment	Adoption of a Diversity, Equity & Inclusion Policy Training on equal opportunities and diversity
	Strengthening relations with local communities	Membership with social responsibility projects
	Promoting a safe and healthy working environment	Membership with the WHP (Workplace Health Promotion) Project
	Increasing the level of safety	HSE training, promotion of discussion initiatives
	Creating a safer working environment, reducing the number of injuries and the number of days lost from work	Dissemination of standardised operating procedures and instructions Promoting hazard reporting and injury management systems Ongoing and targeted training programmes
	Strengthening and promoting a positive, fair and stimulating working environment	Implementing Talent Acquisition and Employer Branding strategies to attract the best candidates on the market
	Providing employees with new knowledge and skills, improving their individual and collective performance, and increasing the efficiency and quality of their work	Strengthening on-the-job training, which is strategic to the development of specific skills for the organisation's business Encouraging discussion and raising awareness among personnel on material topics such as gender equality, safety and sustainability Collaborating with institutions, schools and universities for training purposes
S4 Consumers and end-users	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

Tesmec monitors the effectiveness of actions taken to manage material sustainability impacts, risks and opportunities as part of its existing management and control systems, without implementing specific processes. Monitoring is based on an integrated approach that combines performance assessment and a continuous feedback mechanism to ensure the effectiveness of the measures adopted in pursuit of sustainability goals and to allow for appropriate adaptation to changes in the risk and opportunity context. Progress on sustainability is documented in regular reports produced on an annual or half-yearly basis.

Tesmec actively involves its stakeholders (employees, suppliers, consumers, local communities, investors) in the assessment of its sustainability strategy through dialogue activities that collect feedback on the company's initiatives.

Tesmec collects opinions and suggestions from employees on material topics such as energy efficiency, waste management and welfare initiatives. Tesmec organises dedicated events and focus groups to gain a deeper understanding of its customers' expectations, which can influence the definition of concrete and relevant objectives

in terms of quality, safety and sustainable innovation. The company also complies with international standards (such as ISO 14001 for environmental management) that provide guidelines for achieving specific sustainability goals, and works with certification bodies to define targets in line with these standards.
Stakeholder engagement allows the company to collect essential input to develop goals that are not only ambitious and innovative, but also relevant and responsive to the real needs of the various stakeholders.

The Tesmec Group does not currently have separate sustainability goals based on different products or services, specific customer categories or specific geographical areas. The approach adopted is an integrated sustainability strategy that is applied across the corporate structure.

The Group constantly assesses the sustainability of its significant products and services, as well as their impact on the markets and on the reference customer groups. The company strategy is currently focused on innovation and the quality of the solutions it offers, with particular emphasis on energy efficiency, reducing the environmental impact and safety. Although a structured assessment that accurately correlates products, markets and customer groups with sustainability goals is not yet available, the Group is committed to a development process that will progressively integrate these elements into its future analysis and reporting.

4.1.3 Governance of sustainability

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 annual report on corporate governance.

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.

4.1.3.1 The governance system

ESRS Standards	ESRS 2 GOV-1

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	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.

There are no committees representing the employees within the administrative, management and supervisory bodies. However, there are various forms of participation and dialogue to ensure that employees' interests are taken into account in company decisions.

40% of the members of the Board of Directors are independent, while 90% of the members are non-executive.

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

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.

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. 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's Board of Directors is made up of executive and non-executive directors, all of whom have the professionalism and skills appropriate to the tasks entrusted to them in relation to the sectors, products and geographical areas of the company. For details of the principal skills and professional characteristics of each member of the administrative, management and supervisory bodies, please refer to the Corporate Governance Report.

The Committees

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.	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.

Conflicts of interest

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.

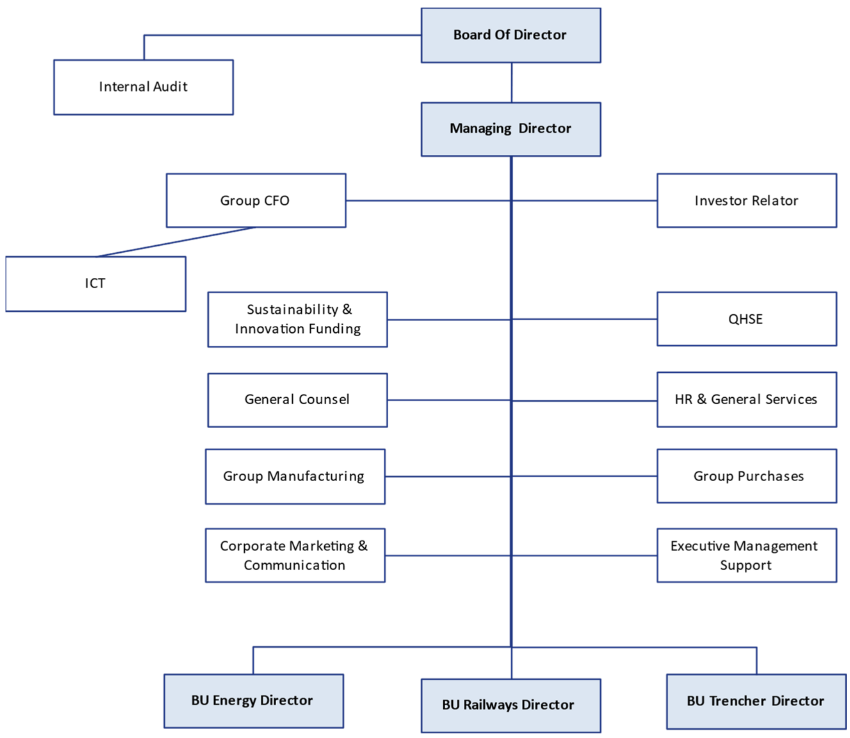
For more details on how to manage conflicts of interest, please refer to the Procedure for Related Party Transactions published in the Related Party Transactions section of www.tesmec.com.

Organisational structure

Tesmec S.p.A.'s organisational structure was developed with a view to optimising the service provision processes and ensuring the Management and Control function of the Group, ensuring coordination between the various Group entities and 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.



4.1.3.2 The process of information and management of sustainability topics

ESRS Standards	ESRS 2 GOV-1, GOV-2

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 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 topics are formalised in internal regulations. In particular, the following functions and bodies are involved in the management and monitoring of ESG topics:

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.
Company management	The Division Managers are responsible for implementing the sustainability strategy and managing the material topics, in coordination with the reference functions.
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.

The analysis of impacts, risks and opportunities 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 Sustainability Reporting, part of the Report on Operations to the Financial Statements, at the same time as it approves the financial statements and consolidated financial statements.

The management plays a key role in defining, implementing and controlling governance processes to monitor, manage and regulate the impacts, risks and opportunities related to sustainability topics. It is responsible for ensuring the effective and systematic integration of sustainability principles into the company's strategy and for managing emerging environmental, social and governance (ESG) issues.
Tesmec Group's top management comprises qualified Managers, including the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Business Unit (BU) Directors, as well as a number of function managers.
Its main functions include defining the company strategy and sustainability policies, setting clear and measurable objectives. The management is also responsible for monitoring sustainability impacts and risks.

The monitoring activities require the identification and assessment of sustainability-related risks, including regulatory risks, reputational risks and supply chain vulnerabilities, and ensuring their integration into the broader business risk management process. At the same time, sustainability-related opportunities are analysed and promoted, such as access to new markets for products that reduce environmental impact, innovation in the sustainable mobility sector and the development of solutions based on renewable energy sources.

In terms of governance, the Group's management implements a structured control and monitoring system to ensure the effective implementation of sustainability policies and compliance with applicable regulations, including environmental regulations, labour regulations and international sustainability standards.

It also coordinates and supervises the various business functions to ensure that sustainability policies are integrated into the operational phases of the undertaking. Where necessary, corrective actions are taken to address critical issues in order to maintain and strengthen the organisation's performance.

The administrative, management and supervisory bodies play a fundamental role in defining company strategy and governance, including the impacts, risks and opportunities faced by the company. The Tesmec Group's mission expresses its vision and fundamental values, as well as the commitments it intends to pursue. The mission provides a guiding framework for strategic decisions that include sustainability considerations. The mandates of the Board of Directors and other governing bodies set out specific responsibilities and duties in relation to company strategy and governance. The related corporate policies complete the picture by setting out the operating procedures.

The targets related to material impacts, risks and opportunities are set by the function managers, shared in dedicated meetings and approved by the Board of Directors, which then monitors progress. Further details are provided in chapter 1.2.3 Material, risks and opportunities and their interaction with strategy and business model/Objectives and material topics.

In the challenge of decarbonisation and electrification, energy infrastructure becomes the most important factor in sustainable development, and Tesmec is one of the enablers 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.

The members of the Board of Directors are appointed on the basis of their professionalism, competence, experience and diversity criteria such as age, length of service and gender, as well as their expertise regarding the impacts related to sectors, products and geographical areas of reference of the Tesmec Group. The profiles, specific skills and information on other relevant positions held and commitments undertaken by each member of the Board of Directors can be found on website.

During the reporting period, no specific training programme on sustainability topics was implemented for members of the Board of Directors. However, the Group recognises the importance of developing appropriate skills to address the challenges related to the identified Impacts, Risks and Opportunities (IRO).

Informing the administrative, management and supervisory bodies about material impacts, risks and opportunities, as well as about the implementation of due diligence and the results of the policies, actions, metrics and targets adopted to address them, is fundamental to ensuring effective and responsible governance. The management of these topics is crucial for the strategic approach of the undertaking and for its alignment with the sustainability and social responsibility goals.

Tesmec's administrative, management and supervisory bodies and their respective committees are regularly informed by the function managers (HR, QHSE, Sustainability Function, etc.) of developments relating to impacts, risks, opportunities and the implementation of corporate policies through various channels, mainly periodic reports, annual reporting, meetings of committees and boards of directors.

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 Chief Executive Officer and the managers with delegated powers implement the sustainability policies promoted by the Board of Directors based on the indications of the Control, Risk and Sustainability Committee, as well as the actions to achieve the defined ESG objectives.

In the Tesmec Group, the administrative, management and supervisory bodies integrate the assessment of sustainability impacts, risks and opportunities into strategic decisions, significant transactions and the risk management process. The Board of Directors ensures that ESG considerations are an integral part of the company strategy and monitors their impact on the Group's resilience and competitiveness.
The internal control and risk management system provides continuous monitoring to mitigate critical issues and seize opportunities. Governance bodies also assess the trade-offs related to sustainability, balancing the need for growth and development with corporate responsibility commitments to stakeholders.

The material impacts, risks and opportunities faced by the administrative, management and supervisory bodies are discussed in detail in chapter 1.2.3 Material, risks and opportunities and their interaction with strategy and business model/Material topics (IRO - Material, Risks, Opportunities).

4.1.3.3 Integration of sustainability-related performance in incentive schemes

ESRS Standards	ESRS 2 GOV-3

Processes of self-assessment

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.

Remuneration policies

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.

With particular reference to the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, the Remuneration Policy provides for a variable component subject to the achievement of certain performance targets:

- 90% of which is paid upon the achievement of at least 90% of certain financial indicators of the 2024 budget (properly weighted turnover, EBITDA and NFP, also with a view to giving greater importance to profitability and cash generation), and upon the achievement of certain milestones regarding the environment, sustainability and conscious consumption; and
- 10% of which is paid upon the achievement of at least 90% of the 2024 sustainability goals in the 2023 consolidated non-financial statement for the Chief Executive Officer, whereas 10% of which, upon the achievement of the sustainability policy goals for the General Manager and Executives with Strategic Responsibilities.

The 2023 Non-Financial Statement also includes targets related to energy consumption, energy efficiency, emissions and climate change. However, these elements are not mentioned separately in the Remuneration Report, so it is not possible to determine the percentage of the total remuneration of figures such as the Chief Executive Officer, General Manager and Executives with Strategic Responsibilities linked to climate-related objectives.

The Shareholders' Meeting held on 18 April 2024, in accordance with the regulations in force, approved the Remuneration Policy for the 2024 financial year described in Section I of the report on the policy of remuneration and compensation paid published in 2024, with 97.8% 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 2024 financial year.

4.1.3.4 The sustainability due diligence process

ESRS Standards	ESRS 2 GOV-4

The sustainability due diligence process is a fundamental step in identifying, analysing and managing risks and opportunities related to environmental, social and governance (ESG) factors. This process applies to business operations, the supply chain and stakeholder relations to ensure that business activities are in line with sustainability standards. It can also reduce exposure to legal, reputational and financial risks, helping to optimise ESG performance.

In order to ensure transparency and completeness, the Tesmec Group adopted a **due diligence process in compliance with the main international guidelines, including those of the OECD, the United Nations and the European Union directives**. A mapping of the main phases of the process and of the methods used to carry them out is outlined below:

- Integration of responsible business conduct into corporate policies and management systems;
- Identification of potential negative impacts deriving from company business;
- Implementation of prevention and mitigation measures to reduce these impacts;
- Continuous monitoring of the effectiveness of the measures adopted;
- Transparent communication of strategies and actions taken to manage ESG impacts.

Through this structured approach, the Tesmec Group reinforces its commitment to responsible and sustainable business management and promotes a corporate culture focused on long-term value creation.

Fundamental elements of due diligence	Reference (Sustainability Reporting Paragraphs)
Integrating due diligence into governance, strategy and business model	▪ GOV-1 – The role of the administrative, management and supervisory bodies ▪ GOV 2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies ▪ GOV-3 – Integration of sustainability-related performance in incentive schemes ▪ SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
Involve stakeholders in all key stages of due diligence	▪ SBM-2 – Interests and views of stakeholders
Identify and assess negative impacts	▪ SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model ▪ IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (materiality assessment)
Take action to address negative impacts	▪ E1-3 Actions and resources in relation to climate change policies ▪ E2-2 Actions and resources related to pollution ▪ E5-2 Actions and resources related to resource use and circular economy ▪ S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions ▪ S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action ▪ S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions
Monitor the effectiveness of interventions and communicate	▪ SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

4.1.3.5 The internal control system over sustainability reporting

ESRS Standards	ESRS 2 GOV-5

Tesmec Group is committed to adopting an internal control system over sustainability reporting compliant with CSRD requirements.
However, as at 31 December 2024, the Group has a structured set of **procedures, policies and tools** adopted by the undertaking to ensure that the information on sustainability performance is accurate, transparent and compliant with the regulations in force and reflects the commitments made by the company in a faithful and verifiable manner.

Governance of the reporting process - subjects and roles

The "Sustainability Statement" **Group Policy**, approved by the Control, Risk and Sustainability Committee on 6 November 2024, governs the sustainability reporting process by defining at a high level the responsibilities for the collection, verification and approval of information.

The **Board of Directors** and the **Control, Risk and Sustainability Committee supervise** the entire reporting process. In particular, the Board of Directors of Tesmec S.p.A. guarantees that the Sustainability Report is prepared and published in compliance with the provisions of Italian Legislative Decree no. 125/2024.

On an annual basis, the **Sustainability function**, under the supervision of the **Chief Financial Officer (CFO)**, coordinates the process of collecting and aggregating the data and information required for the preparation of the Sustainability Report. The function managers involved (Senior HR Manager, QHSE Manager, Senior Purchase Manager, Internal Audit Manager, General Counsel, Director in charge of internal control and risk management system, CFO and Accounting Officer) guarantee the accuracy and validity of the information collected and entered into the data collection and information sheets at Group level. They coordinate with the local representatives of the Group's foreign companies and provide the supporting documentation and evidence required for auditing.

As part of its institutional responsibilities, the **Board of Statutory Auditors** supervises the compliance of the Sustainability Report with the provisions of the legislative decree by assessing the adequacy of the organisational, administrative, reporting and control structure put in place to ensure complete and accurate reporting.

In line with the commitment set out in the Group's Sustainability Policy, the data is published so that stakeholders can assess the company's progress towards its sustainability goals. Comparability between reporting periods and between different companies is essential for measuring improvement.

To ensure accurate and complete information, Tesmec is developing training procedures and programmes to support function managers in the collection and analysis of data, with particular emphasis on information relating to the Group's value chain. Advanced technological tools are also being assessed to make the reporting process more efficient, consistent and timely.

The control function

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 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.

No critical concerns were reported to the highest governance body during the reporting period (2022-2024).

For more detailed information on the risks identified, the mitigation strategies implemented and the methodology used for the assessment, refer to chapters 4.1.2.3 Material, risks and opportunities and their interaction with strategy and business model and 4.1.4 Impact, risk and opportunity management.

The Tesmec Group integrates the results of the risk assessment and internal controls related to sustainability reporting into its business functions and processes, ensuring a structured approach consistent with its risk management and internal control system.

The information derived from the risk analysis is incorporated into the decision-making processes and corporate governance mechanisms to ensure an effective monitoring and an appropriate control of critical concerns related to sustainability. ESG risk management involves key business functions, with coordination aimed at ensuring the consistency, integrity and reliability of reported information.

Moreover, the sustainability reporting process is subject to regular audits and checks to improve the quality and timeliness of the data collected and to strengthen the integration of sustainability topics into business control and management systems.

Regulatory compliance

There were no disputes or cases of non-compliance with laws and regulations during the reporting period (2022-2024). There were no significant penalties of this type in the 2022-2024 period and no significant proceedings were reported.

4.1.4 Impact, risk and opportunity management

4.1.4.1 Materiality Assessment

ESRS Standards	ESRS 2 IRO-1

The paragraph illustrates a) the process for identifying the material topics (material impacts, risks and opportunities); and b) the related information that is presented in the Sustainability Report as a result of the assessment process of the material topics (Double Materiality Assessment - Material topics).

The process for identifying and assessing material impacts, risks and opportunities

The purpose of the disclosure included in this paragraph is to provide all stakeholders with the information they need to understand the process for identifying the **impacts**, **risks** and **opportunities**, and assessing their **materiality** and, consequently, the information included in the Sustainability Report.

The material topics according to the ESRS

The European Sustainability Reporting Standards - ESRS require that the material topics (Impact Risk Opportunities - IRO) are identified and assessed in terms of impact materiality, financial materiality or both (in environmental, social and governance matters).

- Impact Materiality - Significant actual or potential impacts on people and the environment directly related to the activities, products and services of an undertaking.

- Financial Materiality - Sustainability risks and opportunities that can affect the value of the undertaking (in terms of financial effects).

The impacts, risks and opportunities also include those that arise or may arise as part of direct and indirect business relationships in the value chain (activities/sectors, geographical areas, operations, suppliers, customers, other relationships where significant IROs are likely to occur/exist).

Materiality Assessment process and method

The process for identifying and assessing material impacts, risks and opportunities includes the following steps:
- Understanding of the context
- Identification of actual and potential IROs
- Assessment and determination of material IROs

Understanding of the context

The context of reference is the one described in the previous paragraphs regarding the general disclosure of strategy, business model and value chain as well as stakeholder relations and underlying business relationships and sustainability context.

Identification of actual and potential IROs

The process for identifying actual and potential IROs (material topics) relating to people and the environment was carried out using a methodology that included the analysis of external sources and internal sources, taking into account dialogue and consultation with stakeholders, in line with the approach adopted in previous financial years, but integrated with a specific analysis of risks and opportunities, as required by the ESRS.

The analysis took into account the characteristics of the activities and the business model, business relationships, geographical areas or other factors that give rise to heightened risk of adverse impacts. As already stated in the introduction, the impacts generated directly through its activities or as a result of business relationships were considered and the stakeholder relations and consultations were taken into account to understand how they may be impacted. The opinions and assessments of external experts were considered indirectly through the various external sources analysed.

External sources
World Economic Forum - The global risks report
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
UNHR - Guiding Principles on Business and Human Rights
CBD - Kunming/Montreal Global Biodiversity Framework
EEA - European Climate Risk Assessment
ILO - Transforming enterprises through diversity and inclusion
ILO - Advancing social justice
COSO wbcsd - Enterprise Risk Management
EU Sustainable Finance plan [EU Taxonomy focus]
ISSB International Sustainability Standards Board: SASB
Benchmarking of material topics - policies - risks
Internal sources
Code of Ethics
Organisational and management model Italian Legislative Decree no. 231/2011
Supplier Code of Ethics
Whistle-blowing policy
Human rights policy
Sustainability Policy
Integrated quality, environment and occupational health and safety policy

As part of this process of stakeholder consultation and ongoing relations, some **specific engagement initiatives** were also carried out in relation to the analysis, and in particular to the prioritisation of impacts, risks and opportunities, which have helped to define the material topics for the Tesmec Group. Specifically, a survey was sent to Tesmec employees and investors to assess the topics identified by the preliminary analysis of the sources, with a response rate of 67% and 54%, respectively. The results of the questionnaires were integrated with management's assessments in the prioritisation of impacts, risks and opportunities and the subsequent identification of material topics.

Assessment and determination of material IROs

The assessment of the material topics (Material IROs) can be summarised as follows:

Assessment phases	Summary of process and contents
Qualitative analysis	Identification and in-depth analysis of potential material Impacts, Risks and Opportunities IROs in relation to the topics deriving from the identification phase of potential material topics.
IRO Characteristics Impacts, Risks and Opportunities	Characterisation of Impacts, Risks and Opportunities being analysed Characteristics of impacts ▪ Actual/Potential ▪ Positive/Negative ▪ Short-/medium-/long-term ▪ On own operations/Along the value chain Characteristics of Risks/Opportunities ▪ Short-/medium-/long-term ▪ On own operations/Along the value chain
Quantitative analysis	**Assessment of impact materiality**: materiality based on severity and likelihood of occurrence. Severity is based on the scale, scope and irremediable character of the impact. Quantitative and/or qualitative thresholds were set for this purpose. **Risk and opportunity assessment**: materiality in terms of likelihood of occurrence and potential magnitude. In this context, and in line with the impact assessment, mainly qualitative thresholds were set for the assessment of the financial effects relating to sustainability topics (economic performance, financial situation, cash flows and access to loans).

The Double Materiality Analysis process developed during 2024 involved various business functions, such as Senior HR Manager, QHSE Manager, Purchasing Manager, Internal Audit & Governance, each contributing in a different way to the assessment of impacts, risks and opportunities. The process for identifying and assessing material topics also involved the business risk management system and led the competent function to integrate the mapping of the undertaking's overall risks. The results of the analysis were presented and shared with the Risk Control and Sustainability Committee and the Board of Directors of Tesmec S.p.A., which approved the material IROs to be included in the Sustainability Report.

Compared to the 2023 Non-Financial Statement, where the materiality analysis was carried out according to the GRI reporting standards, the adoption of the ESRS criteria involved a significant change in the methodology applied, making the financial assessment of the topics more explicit in terms of risks and opportunities.

The Group will carry out the analysis annually to reflect any changes in the business and to incorporate the market best practice, taking into account developments in the regulatory and legislative context, the Group's strategy and any element that may have a material impact on the topics analysed.

The risk and opportunity management system

The process for identifying and assessing material topics (material IROs), and in particular risks and opportunities, took into account the business risk management system, developed to assess the overall risk profile, as an integral part of the internal control procedures adopted. This system also includes sustainability risks and opportunities that have or could have financial effects.

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 Tesmec's objectives makes it of primary importance to define an analysis system that is adequately structured in order to achieve adequate levels 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.

Tesmec 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 updating and identification of possible new risks is carried out on an annual basis and against a reference Risk Model that includes external and sector factors, such as natural/environmental events, the market scenario, 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 updating of the **Risk Register**, the tool used to collect and describe the risks identified. 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 organisational, management and control models for the purposes of *Italian Legislative Decree no. 231/01*, 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** 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, strengthening 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 topics** 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 topics for the purposes of the Sustainability Report.

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. During 2024, regular meetings were held with the BU Directors to discuss the progress of the monitoring activities of the major risks identified and initiatives were launched to mitigate them.

It should be noted that, in 2024, Tesmec received an "A" as a RepRisk ESG Risk rating. The RepRisk Rating (RRR) is a letter grade rating (from AAA to D) that allows companies to benchmark themselves against a group of peers and the reference sector, and to measure the integration of ESG and conduct risks into business processes.

Material topics and ESRS reporting

ESRS Standards	ESRS 2 IRO-2

Annex 1 to the Sustainability Report contains an **Index**, to which reference is made, summarising the disclosure presented in the document (Disclosure requirements) based on the results of the materiality analysis.

A table of all the datapoints that derive from other EU legislation is also published (as **Annex 2**), indicating where they can be found in the Sustainability Report, including those that the undertaking has assessed as not material, with the corresponding indication.

The material information for the Tesmec Group presented in the following chapters was defined in relation to the impacts, risks and opportunities identified with the double materiality process. No omissions were found in relation to the topics described.

4.1.4.2 Minimum disclosure requirements

ESRS Standards	ESRS 2 MDR-P, ESRS 2 MDR-A, ESRS 2 MDR-M, ESRS 2 MDR-T

The policies, actions, metrics and targets to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities (management of material topics) are described in the paragraphs reporting each material environmental, social and governance topic.

Policies and management systems

The policies and management systems applied by the Group are summarised below to provide an overview.

Policies/Management systems	Consolidation area	Topical ESRS
Code of Ethics	Tesmec Group	E1 Climate change S1 Own workforce S2 Workers in the value chain G1 Business conduct
Organisation, Management and Control Model Italian Legislative Decree no. 231/2001	Italian companies of the Group	G1 Business conduct
Whistle-blowing Policy	Tesmec Group	G1 Business conduct
Anti-Corruption Policy	Tesmec Group	G1 Business conduct
Related-party transactions	Tesmec Group	G1 Business conduct
Environment, Health and Safety Policies	Tesmec S.p.A. Tesmec Rail S.r.l. Tesmec Automation S.r.l. Tesmec USA Inc. Marais Laying New Zealand Groupe Marais SAS	E1 Climate change E2 Pollution E5 Circular economy S1 Own workforce
Human rights policy	Tesmec Group	S1 Own workforce S2 Workers in the value chain
Sustainability Policy	Tesmec Group	E1 Climate change E2 Pollution E5 Circular economy S1 Own workforce G1 Business conduct
Supplier Code of Ethics	Tesmec Group	S2 Workers in the value chain G1 Business conduct
Supplier qualification and valuation	Tesmec S.p.A. Tesmec Rail S.r.l.	G1 Business conduct
Charity Policy	Tesmec Group	G1 Business conduct
2024 Remuneration Policy	Tesmec Group	ESRS 2 General disclosures E1 Climate change
UNI/PdR 125:2022 Guidelines on the gender equality management system	Tesmec Automation S.r.l.	S1 Own workforce
ISO 9001:2015 Quality management systems	Tesmec S.p.A. Tesmec Rail S.r.l. Tesmec Automation S.r.l. Tesmec USA Inc. Marais Laying New Zealand	S4 Consumers and end-users
ISO 45001:2018 Occupational health and safety management system	Tesmec S.p.A. Tesmec Rail S.r.l. Tesmec Automation S.r.l. Marais Laying New Zealand	S1 Own workforce
ISO 14001:2015	Tesmec S.p.A.	E1 Climate change

Environmental management systems	Tesmec Rail S.r.l. Tesmec Automation S.r.l. Marais Laying New Zealand	E2 Pollution
ISO 37001:2016 Anti-corruption management system	Tesmec Rail S.r.l. Tesmec Automation S.r.l.	G1 Business conduct
ISO 27001:2017 Information security management systems	Tesmec Automation S.r.l.	G1 Business conduct
EN 15085-2 CL1 Rail applications - Welding of railway vehicles and related components - Manufacturer's requirements	Tesmec Rail S.r.l.	S4 Consumers and end-users
ECM Entity in Charge of Maintenance	Tesmec Rail S.r.l.	S1 Own workforce S4 Consumers and end-users
ISO 14067:2018 Carbon footprint of products	Tesmec S.p.A. Tesmec Automation S.r.l.	E1 Climate change E2 Pollution
AAR/M-1003 Quality Assurance for materials, products and services	Tesmec USA Inc.	E5 Circular economy
OSHCON Occupational Safety and Health Consultation Program	Tesmec USA Inc.	S1 Own workforce
IEC 62443-4-1: 2018 ML2 Safety for industrial automation and control systems	Tesmec Automation S.r.l.	S4 Consumers and end-users

Business management systems adopted

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 CL1	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
OSHCON	The Occupational Safety and Health Consultation Program (OSHCON) is an OSHA-sponsored programme designed to help companies identify and reduce workplace hazards. Through on-

	site assessments and targeted recommendations, OSHCON promotes the improvement of health and safety conditions and ensures compliance with current regulations without incurring penalties.
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.

Summary table of Certified management systems - Summary

Company	ISO 9001	ISO 45001	ISO 14001	ISO 37001	ISO 27001	EN 15085-2 CL1	ECM	ISO 14067	AAR/M-1003	OSHCON	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	■	■	■								

4.2 Environmental topics

4.2.1 Climate change

Topic	Sub-topic
E1 Climate change	Energy Climate change mitigation

4.2.1.1 Governance

Integration of sustainability-related performance in incentive schemes

ESRS Standards	ESRS 2 GOV-3

The **Remuneration Policy** of the Tesmec Group provides for some figures, such as the CEO, General Manager and Executives with Strategic Responsibilities, to receive a variable component subject to the achievement of certain performance targets, including the achievement of the **sustainability goals** identified in the NFS - Consolidated Non-Financial Statement for 2023 for the 2024 financial year.

As stated in the General Disclosure, in paragraph 1.3.3 Integration of sustainability-related performance in incentive schemes, to which reference should be made, the portion of the total remuneration of top management, such as the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, related to climate objectives, is not currently determined in a specific manner. The variable component of the remuneration of these figures, subject to the achievement of sustainability goals, refers to the set of objectives defined by the Group as a whole.

4.2.1.2 Strategy

Transition plan for climate change mitigation

ESRS Standards	ESRS E1 E1-1

As an integral part of its sustainability programme, Tesmec Group is committed to developing a **transition plan** for **climate change mitigation**. To this end, an analysis was carried out for the Group, based on an analysis of the context of the environmental management system, which made it possible to identify **potential strategic assets and processes for the transition** to a low-carbon economy, as well as **processes, activities and assets that are vulnerable to climate change and to the transition itself**. The aim of the transition plan is to enable business strategies, and therefore, financial planning, to be aligned with a low-carbon production model.

The Tesmec Group is committed to developing a transition plan over the next few years, implementing a strategy to mitigate the potential impacts and seize the opportunities presented by climate change.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS Standards	ESRS 2 SBM-3

The Tesmec Group has not undertaken a specific resilience analysis at this time. In order to identify risks and opportunities, the Group developed its own analysis based on the company **Risk Register** and on the **analysis of the context of the environmental management system**. Other risks and opportunities, both related to internal operations and along the value chain, were identified by the figures involved in the process through **internal consultation**.

The context analysis was carried out to identify **potential vulnerabilities and risks to which the Group is exposed**, including risks related to the transition to a low-carbon economy. The analysis considered:

- the **external context** in which Tesmec operates, including the market in which it operates, its value chain, the regulatory and institutional context, the financial and insurance context, and finally the climatic and geomorphological context in which it operates;
- the **internal context**, characterised by the Group's corporate vision.

Risks analysed

Climate change [Mitigation]	**Transition - market risk** Unavailability of energy sources and volatility of their prices.	Material
	Transition - regulatory risk Regulatory framework and pressures. Specifically, the regulatory risk related to the transition to a zero-impact economy is also, but not only, closely linked to the management and mitigation of the Group's Scope 1, 2 and 3 greenhouse gas emissions.	Material
Climate change [Adaptation]	**Transition - reputational risk** Sale of products and services perceived by customers, banks and investors as **products** as having a high environmental impact due to the greenhouse gas emissions generated during the production and useful life of the product. Another reputational risk is related to the **market** in which the Group operates, which could be perceived by stakeholders as having a high environmental impact.	-
	Physical risk - **seismic events** for the Grassobbio factory.	-
	Physical risk - increase in the frequency and intensity of **extreme weather events**.	-

It should be noted that only the first two risks were found to be material in the analysis carried out. In fact, the risk of reputational transition was not considered as significant thanks to the existence of internal business procedures that eliminate or limit the impact; the physical risks identified, considering the location of the assets, the lack of records of harmful physical events in previous years and the lack of detailed asset-specific technical and scientific information, were also not considered material.

The analyses of the context

The analysis of the context of the environmental management system of the Tesmec Group identified the **material needs, requirements and expectations** - guidelines and actions that the Group intends to pursue in order to manage the external context and improve the management of internal processes. Among these, the needs and expectations directly related to the transition to a low-carbon economy were selected. In particular, **those needs or expectations that are amplified by the transition were highlighted**, i.e. those that take on greater importance or urgency due to the changes required for the transition to a low-carbon economy, such as: **regulatory, market and technological changes**. These risks are intrinsically linked to climate change, such as an increase in extreme weather events and temperatures and rising sea levels, which can affect the operation of business processes.

Each identified requirement was contextualised within a climate scenario, which allowed us to identify not only the possible evolution of the market and the climate, but also the potential transition risks, which in turn were the result of the scenario analysis and contributed to the dynamics that led to the different needs of the Tesmec Group. The results of the analysis were broken down into socio-economic scenarios modelled by the International Energy Agency (IEA) and climate scenarios modelled by the Intergovernmental Panel on Climate Change (IPCC).

The analysis was carried out using the **Announced Pledges Scenario** (APS)[1] modelled by the **International Energy Agency** (IEA) as the reference scenario. The APS is an exploratory scenario[2] in that it defines a set of initial conditions, such as policies and targets, and analyses where these lead, based on models representing energy systems that reflect market trends and technological progress.
The **Announced Pledges Scenario assumes that all the climate pledges made by governments and industries around the world by the end of August 2024 were met on schedule**. The scenario also shows the gap between current targets and the achievement of universal access to energy coveted by European policies. The **APS** scenario is associated with **a temperature increase of 1.7 °C by the year 2100** (with a 50% probability).

[1] IEA (2024), World Energy Outlook 2024, IEA, Paris, Licence: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A)
[2] IEA (2024), Global Energy and Climate Model, IEA, Paris, Licence: CC BY 4.0

The IEA climate scenario was used to analyse potential economic and market trends in order to model the risks and opportunities of the transition to a low-carbon economy, mainly over three time horizons: 2030 (short term), 2035 (medium term) and 2050 (long term).
The physical risks were analysed using the SSP5-8.5 climate scenario[3], which allowed climatic conditions to be observed over different time periods in order to predict the potential impact on the Group's activities and structures. A large number of periods were analysed, covering the period up to 2050.

The Tesmec Group is committed to implementing a more detailed and structured resilience analysis over the next few years.

4.2.1.3 Impact, risk and opportunity management

The process for identifying and assessing material impacts, risks and opportunities

ESRS Standards	ESRS 2 IRO-1

Impacts	
Energy	Direct negative impacts related to energy consumption for the activities of the Group, such as electricity for lighting and the operation of certain machinery, fuel for company vehicles, natural gas for space heating, and fuels used in production processes or machinery.
Climate change mitigation	Direct negative impacts and along the value chain related to greenhouse gas emissions and consequent impacts on climate change. Emissions: - Scope 1 direct emissions related to fuels used for handling company vehicles and production/machinery; - Scope 2 indirect emissions related to the use of electricity; - Scope 3 indirect emissions along the value chain for purchased goods and services, production goods, transportation and distribution of purchased and sold goods, waste generated in operations, business travelling, employee commuting, leased assets, and use of sold products

Risks/Opportunities*	
Energy	Signing contracts for the supply of electricity from renewable sources, including electricity generated by our own facilities, in order to optimise energy management and reduce costs in the long term.
Climate change mitigation	Communication aimed at highlighting some significant aspects of the Group's products compared to the competition in order to increase attractiveness, such as a lower carbon impact (carbon footprint of machinery). Development of machinery and equipment for the construction and maintenance of infrastructure with a lower environmental impact, reducing the consumption of fossil fuels and promoting the electrification of equipment.

*Risks described in the previous chapter

In order to analyse and assess the topics potentially material to the Tesmec Group in relation to climate change, the topics identified in *ESRS 1 General requirements*: *Climate change adaptation*, *Climate change mitigation* and *Energy* were considered.

In terms of impact, the activities carried out by the Group, such as energy and fuel consumption for lighting and operation of machinery, the use of company vehicles and the heating of premises, and the resulting direct and indirect greenhouse gas emissions - GHG Scope 1 and GHG Scope 2, were considered. The Group calculates and monitors

[3] The SSP5-8.5 (Shared Socioeconomic Pathway 5-8.5) climate scenario represents a future with high greenhouse gas emissions, strong economic growth based on fossil fuels, little action to mitigate climate change and a global temperature increase of up to 4-5℃ by 2100 compared to pre-industrial levels.

the latter on a consolidated basis and the parent company Tesmec Spa, in particular, keeps its consumption under control through the energy diagnosis of the activities in accordance with ISO 14001:2015.

Indirect GHG Scope 3 emissions along the value chain were assessed, according to the **GHG Protocol** guidelines, for the following categories identified as significant: purchased goods and services, production goods, transportation and distribution of purchased and sold goods, waste generated in operations, business travelling, employee commuting, leased assets upstream and downstream, and use of sold products

For more information on the Group's consumption and emissions, see paragraphs 2.5.1. Energy consumption and mix and 2.5.2 GHG emissions.

In order to analyse the risks and opportunities, the Tesmec Group developed its own analysis, as mentioned above, based on the Group's Risk Register and the analysis of the context of the environmental management system. Other risks/opportunities were identified by the figures involved in the process following an internal consultation.

The analysis identified two main physical risks related to climate change adaptation:

- increase in extreme weather events,
- seismic risk, for the Grassobbio factory alone.

The IPCC's Sixth Assessment Report[4] shows that, under the RCP8.5 or SSP5-8.5 pessimistic scenario (predicting a warming of more than 4°C during the 21st century with a greater than 50% probability), one of the main effects of climate change is an increase in the frequency and magnitude of extreme rainfall. These phenomena not only have a direct impact on the Group's infrastructure, for example through hail or lightning, but can also alter the condition of the ground depending on its geomorphological characteristics.

An analysis of the current state of the territory in which the company operates was then carried out, using the documents provided by ISPRA (IdroGEO - Grassobbio) for the Italian Companies and the Aqueduct portal (Aqueduct Water Risk Atlas) for the New Zealand Company, which made it possible to determine whether the areas in which the Group's factories are located are exposed to potential landslides and flooding (for the New Zealand factory, only the exposure to potential flooding following extreme weather events).
After verifying the state of the territory where the factories are located, the predictions of the model of the Euro-Mediterranean Centre on Climate Change (CMCC) for the indicators of *days of intense precipitation* and the *95th percentile of precipitation* were evaluated for Italy. The variations indicated by the model for RCP 8.5 for the period up to 2050 did not show a significant increase in the number of weather events for which the Group would need to carry out immediate mitigation and/or prevention measures.
For the factory in New Zealand, the analysis of potential physical risks through Aqueduct showed a high physical risk for the RCP 8.5 scenario, mainly related to the flood indicator following rainfall, for the years 2030 and 2050.

With regard to seismic risk, documents from the Department of Civil Protection on the seismic classification of the territory in which the Group operates have been used instead. An analysis of the available maps, updated to 2024, shows that the Grassobbio factory is located in an area classified as "zone 3", i.e. an area where strong earthquakes are unlikely.

However, the Group is aware of the potential damage that such climatic events can cause to its factories such as: damage to buildings (roofs, light structures, damage to company vehicles), damage to power lines, damage to transport routes, flooding of premises with potential damage to machinery and products. It has therefore taken out insurance policies to cover the risk of earthquakes.

Compared to the sub-topics *Climate Change Mitigation* and *Energy*, the evolution towards a low carbon economy can represent an important **opportunity for the Group** based on the analysis of risks and the evidence that emerged from the analysis of the context. The growing need to adopt alternative energy sources to fossil fuels in response to price

[4] IPCC (2022), Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change; IPCC (2021), Sixth Assessment Report, Climate Change 2021: The Physical Science Basis; IPCC (2022), Sixth Assessment Report, Climate Change 2022: Impacts, Adaptation and Vulnerability

fluctuations and availability, which are strongly influenced by the political and economic situation of supplier countries, could result in significant financial benefits. The signing of contracts for the supply of electricity from renewable sources or the expansion of the Group's photovoltaic park could make the Group less vulnerable to price fluctuations and the limited availability of fossil fuels. Moreover, the implementation of more efficient and sustainable electrical technologies, such as the replacement of heat pumps with traditional cooling/heating systems, would allow for a reduction in operating costs, thereby improving the Group's competitiveness in the market from both an economic and reputational point of view.

The transition risks identified and discussed in paragraph 2.2.2 Material, risks and opportunities and their interaction with strategy and business model, such as regulatory, market, reputational and physical risks, can expose the Tesmec Group in a number of ways, such as:

- **increased operating costs** due to the need to adapt to regulations for the investment in new technologies, for the increase in energy costs and for managing potential changes along the value chain;
- **increased legal costs** due to potential legal disputes for non-compliance with regulations, increased commitment to regulatory compliance, increased legal disputes, failure to meet climate change requirements demanded by investors and banks;
- **decreased turnover** following a reduction in sales due to a drop in demand for products with a high environmental impact, loss of competitiveness, reduction in the customer portfolio, increased compliance costs, imposition of carbon taxes or increased regulatory restrictions;
- **increased operating expenses and mitigation of physical damage** due to potential repairs and reconstruction of infrastructure, securing of infrastructure, increased insurance policies.

For a more detailed analysis of the climate-related transition risks, framed in the context of the IEA's APS climate scenario, please refer to paragraph 2.2.2 Material, risks and opportunities and their interaction with strategy and business model.

For the Tesmec Group, the sub-topics *Climate Change Mitigation* and *Energy* were therefore considered material.

Several IEA (2024) documents were used to analyse transition risks. These include the World Energy Outlook[5] and the Global Energy and Climate model[6], both for the APS scenario. The IPCC's Sixth Annual Report (2023)[7] was used at a qualitative level for the scenario analysis on the evolution of climate change, while the Climate Scenarios for Italy tool of the Euro-Mediterranean Centre on Climate Change (CMCC)[8] and the Aqueduct portal, Water Risks Atlas[9] of the World Resources Institute were used for the qualitative analysis of potential physical risks. Where possible, the high emissions scenario SSP8.5 was used.

With regard to plausible uncertainties, it should be noted that the IEA's climate scenarios include a sensitivity and uncertainty analysis, carried out using the GEC Model, which quantifies the impacts and integrates different effects to delineate a plausible range of results in terms of energy demand and related CO2 emissions. The analysis considers the impact of uncertainties for all energy sources, focusing on direct impacts without assuming synergistic or compensating effects on other areas of demand.

The analysis of the scenario related to the transition to a low-carbon economy used the APS scenario, whose external factors that characterise it are economic growth, demographic change and technological development. The factors that determine the demand for energy services, such as the demand for steel in industry, are estimated econometrically on the basis of historical and socio-economic data.

Finally, it should be noted that the APS scenario is an intermediate scenario[10] among those proposed by the IEA. It is designed to analyse all the policies implemented in the previous year, together with those communicated or formally approved by the national authorities. This scenario assumes a gradual implementation of these policies, based on the IEA's assessment of the numerous political, institutional and social obstacles that limit a rapid

[5] IEA (2024), World Energy Outlook 2024, IEA, Paris, Licence: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A)
[6] IEA (2024), Global Energy and Climate Model, IEA, Paris, Licence: CC BY 4.0
[7] IPCC (2023) AR6 Synthesis Report**:** Climate Change 2023, AR6 Synthesis Report
[8] Euro-Mediterranean Centre on Climate Change (CMCC) - Climate Scenarios for Italy
[9] World Resources Institute - Aqueduct, Water Risks Atlas
[10] Task Force on Climate-related Financial Disclosures - Guidance on Scenario Analysis for Non-Financial Companies (2020)

transition. The adoption of this scenario was assessed considering that the Tesmec Group is currently developing defined strategies and plans.

Policies related to climate change mitigation and adaptation

ESRS Standards	ESRS 2 MDR-P, ESRS E1 E1-2

The Tesmec Group specialises in the design, production and marketing of integrated solutions for the construction, maintenance and diagnostics of infrastructure, including aerial, underground and rail networks for the transport of electricity, data and materials. The Group also develops advanced technologies for managing quarries and surface mines.

The direct environmental impacts arise mainly from the use of materials, energy, emissions, chemical substances and waste management, which consists mainly of non-hazardous waste. As a result, some company operations can present environmental risks that require appropriate management to mitigate their impact.

The policies and management systems adopted by the Tesmec Group with regard to climate change mitigation and adaptation are examined in detail below. The policies adopted are available on the Group's website. The policies and certifications are also shared with Group workers through internal communication channels.

The highest level of management in the organisation of the company that is responsible for implementing the policy is the Chief Executive Officer in collaboration with the Business Unit Directors. The environmental policies are also approved and shared by the CEOs and General Managers of each Company.

Environment, Health and Safety Policies and environmental management system

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[11] and of the New Zealand company 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 Italian companies, the American company Tesmec USA, Inc., the French company Groupe Marais SAS and the New Zealand company Marais Laying New Zealand have a formalised HSE Policy. However, the Group is progressively harmonising its policies with a view to standardising processes and management wherever possible.

The HSE policies also address the Group's commitments regarding climate change, such as:

- Minimise the environmental impact and prevent any kind of possible pollution by improving the technologies used and selecting less polluting products;
- Continue to optimise and reduce energy consumption in production processes and reduce the impact of emissions into the atmosphere;

[11] Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l.

- Take into account, from the early stages of the project, the environmental impact of the product, both during operation and at the end of its life cycle and disposal.

The environmental topics are also included in the Special Part of Model 231 of Tesmec S.p.A., i.e. 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 also relating to environmental offences included in the list of Offences pursuant to Italian Legislative Decree no. 231/2001.

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

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.

Starting from 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 factories. To meet the many national and regional certification and regulatory requirements, the QHSE Manager will rely on the contribution of his/her team, the ASPP and the various Safety delegates. Because of its importance, this delegated system is represented in specific organisational charts and is shared accordingly; these charts therefore do not replace the organisational charts, but rather integrate them by providing an increasingly complete business framework.

Sustainability Policy

The Sustainability Policy represents a set of principles that guide the Tesmec Group in contributing to the development of a business that is responsible from an economic, social and environmental point of view along the entire value chain, in order to create positive impacts and mitigate negative ones, creating value for both the Group and all stakeholders. In particular, in order to improve sustainability performance, Tesmec is committed to:

- Defining a sustainability strategy integrated into the business model that aims to create value in the present without compromising the ability to create value in the future.
- Integrating the principles of sustainability into Research and Innovation activities in order to design cutting-edge solutions aimed at operational efficiency, reducing environmental impact and achieving the highest levels of safety.
- Constantly improving the environmental impact of our processes and production cycles, improving the energy efficiency of the technologies used and reducing the use of polluting materials.
- Strengthening and consolidating dialogue with stakeholders to ensure overall sustainable development.
- Communicating the Group's ESG performance through clear and effective reporting.

In particular, the Sustainability Policy focuses on a commitment related to climate change, namely, to measure and increase the share of green & digital technology solutions. The Group aims at directing product development activities towards a 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.

Product certifications - product footprint

Most of the products of the company 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.

Actions and resources in relation to climate change

ESRS Standards	ESRS 2 MDR-A, ESRS E1 E1-3

During 2024, the Tesmec Group consolidated its commitment to environmental sustainability, reinforcing its actions to mitigate climate change and optimise environmental management. The year was characterised by a particular focus on energy efficiency and the transition to the use of renewable energy sources.

The energy audit of the Grassobbio factory was completed in the fourth quarter of 2023. Following this analysis, measures were implemented to optimise the lighting systems, improve the insulation of the equipment and increase the efficiency of certain production processes. At the same time, the diagnosis carried out at the Sirone factory provided an essential database for the planning of similar interventions that are expected to take place in 2025.

In support of the energy efficiency strategy, the photovoltaic system at the Grassobbio factory was also expanded with the installation of new high-efficiency panels. This intervention led to a significant increase in the production of solar energy compared to the previous year, with a consequent reduction in CO_2 emissions. This result makes a significant contribution to reducing the Group's carbon footprint and opens up the possibility of developing additional energy efficiency projects, which will be assessed in 2025.

With a view to protecting the environment, the parent company Tesmec S.p.A. has, for several years, been implementing a monitoring system in accordance with ENEA directives to check energy consumption and define energy saving solutions and procedures. The monitoring system, currently installed at the Grassobbio (Bergamo) factory, uses specific sensors and dedicated software to provide accurate measurement and in-depth analysis of energy consumption, such as those relating to gas and electricity, thus supporting a continuous improvement in efficiency.
The detailed definition of the interventions will be formalised as part of the revision of the **Single Environmental Authorisation (Autorizzazione Unica Ambientale, AUA)**, which will take into account the best available technologies, as well as the needs and requests of the stakeholders involved.

The reductions in **greenhouse gas (GHG)** emissions resulting from the implementation of the action plan will be monitored, quantified and communicated in future sustainability reports.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above. During the reporting period, no specific actions were taken regarding energy and climate change mitigation for the foreign companies of the Tesmec Group.

4.2.1.4 Metrics and targets

Targets related to climate change mitigation

ESRS Standards	ESRS 2 MDR-T, ESRS E1 E1-4

The Group pays particular attention to topics related to climate change. The targets and actions that the Tesmec Group has defined in relation to the topics of *Climate Change Mitigation* and *Energy* are set out below.

Material topic	Target	Actions	UoM	2024 Base year	2030 Target Target year/base year %
Energy	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 ...)	MWh	4.703.5 Of which 60.4% from renewable sources	65% from renewable sources
Climate change mitigation	Reducing the organisation's environmental impact	Reducing Scope 2 indirect emissions	ton Co2eq	665.5 (market based)	-10%

The Tesmec Group, aware of the fundamental role that companies are called upon to play in mitigating climate change, is actively committed to reducing its environmental impact through the adoption of ambitious and measurable targets. The strategy outlined develops along two main lines: improving **energy efficiency** and **reducing greenhouse gas emissions**.

Starting from a base year in which 60.4% of electricity requirements were met by renewable sources, the Group aims to increase this share to 65% by 2030. To achieve this, Tesmec plans to invest in the signing of guarantee of origin contracts for the supply of renewable energy, optimising the efficiency of existing photovoltaic systems and, where technically and economically sustainable, increasing their capacity. At the same time, the optimisation of production processes and air conditioning systems will aim to maximise the use of self-produced electricity from renewable sources, thereby reducing dependence on energy purchased or produced from fossil fuels. The Group will also promote awareness-raising initiatives aimed at its employees to encourage virtuous behaviour in terms of energy saving.

In addition to energy efficiency measures, Tesmec is committed to reducing its greenhouse gas emissions, with particular reference to indirect Scope 2 (market-based) emissions resulting from the consumption of purchased electricity. The Group set a reduction target of 10% by 2030, compared to the levels recorded in 2024. These results will be achieved mainly through energy efficiency measures and increased use of renewable energy.

In relation to the targets presented in the 2023 Non-Financial Statement, during the year the Group mapped the categories of Scope 3 indirect emissions significant to its activities and developed a calculation model for reporting them. The emissions from Italian companies are currently reported in the chapter Indirect emissions along the value chain: GHG Scope 3. Over the next few years, Tesmec is committed to reporting these emissions for the entire Group.

Transparency and responsibility are key principles of the Tesmec Group's approach to sustainability. Progress is monitored through the collection and systematic analysis of specific data for each production site, supported by regular audits of renewable energy production plants. Targets and performance targets are reviewed annually and the results published in the Sustainability Report.

The targets set by the Group are in line with the recommendations of the ESRS standards. Tesmec is also committed to considering the possibility of aligning its emissions reduction targets with scientifically validated processes, in line with the goal of limiting the global temperature increase to 1.5°C. Future developments such as changes in sales volumes, market trends, regulatory developments and technological innovations are systematically taken into account when defining sustainability strategies.

In line with the requirements of the ESRS standards, the emissions of the Tesmec Group and the targets described above are set out below. For more information on the Group's emissions, please refer to the chapter GHG emissions.

GHG emissions Ton CO2eq	Retrospective		Milestones and target years	
	2024 base year	2023	2030 Target	Annual % target/base year
Direct emissions – Scope 1	**3,715.3**	**3.761,3**		
Scope 1 emissions covered by regulated emission trading schemes	-	-		
Indirect emissions – Scope 2				
Scope 2 - location-based	1,315.6	1,508.1	1,184.0	-10%
Scope 2 - market-based	665.5	1,940.4		
Scope 1 + 2 - location-based	**5,030.8**	**5,269.4**		
Scope 1 + 2 - market-based	**4,380.7**	**5,701.6**		
Indirect emissions – Scope 3	**39,948.219.3**	**-**		
Category 1 - Purchased goods and services (upstream)	77,598.4	-		
Category 2 - Production goods (upstream)	319.9	-		
Category 4 - Transportation and distribution of purchased goods (upstream)	750.6	-		
Category 5 - Waste generated in operations (upstream)	378.9	-		
Category 6 - Business travelling (upstream)	1,179.8	-		
Category 7 - Employee commuting (upstream)	1,276.2	-		
Category 9 - Transportation and distribution of the finished product (downstream)	1,188.1	-		
Category 11 - Use of sold products (downstream)	39,851,310.5	-		
Category 13 - Leased assets (downstream)	14,216.9			
Total emissions - location-based	**39,953,250.1**			
Total emissions - market-based	**39,952,600.0**			

The Tesmec Group recognises the scale of the global challenge of climate change and reaffirms its commitment to playing an active role in building a sustainable future. By improving energy efficiency and reducing greenhouse gas emissions, Tesmec intends to play a leading role in the transition to a low-carbon economy.

Energy consumption and mix

ESRS Standards	ESRS 2 MDR-M, ESRS E1 E1-5

Energy consumption

The energy consumption of the Tesmec Group concerns:

- Purchased and self-produced electricity (where photovoltaic system is present), mainly used for the operation of machinery and lighting;
- Natural gas, 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 Tesmec Group's energy consumption from fossil and renewable sources for the three-year period from 2022 to 2024 is shown in MWh as required by the ESRS standards. The data reported is from direct sources; any estimates for some Group companies are explained at the bottom of the table. The Tesmec Group has no contracts for the supply of energy from nuclear sources.

The analysis carried out on the NACE codes of the Tesmec Group's activities shows that all of the Group's companies operate in sectors defined as having a **high climate impact** (sections A to H and section L of Regulation (EC) no. 1893/2006 of the European Parliament and of the Council). It should be noted that Tesmec Peninsula and Tesmec Energy also operate in low climate impact sectors, but the current data collection process does not allow us to present the companies' energy consumption by type of activity carried out.

Energy consumption (MWh)[2]	**2024**	**2023**	**2022**
Energy from fossil sources			
Vehicle fuel[1]			
Diesel oil	7,379.1	8,126.3	9,035.9
Petrol	852.6	1,041.6	715.2
Heating			
Natural gas	4,821.3	3,722.7	4,988.3
Fuels for production or machinery			
Diesel oil	1,921.5	1,626.5	1,826.4
LPG	142.8	152.3	151.6
Electricity			
Electricity purchased	1,862.3	4,489.0	3,097.1
Total energy from fossil sources - MWh	**16,979.6**	**19,158.4**	**19,814.5**
Energy from renewable sources			
Electricity			
Electricity purchased with Guarantee of Origin contracts	1,815.3	-	1,485.0
Electricity produced by photovoltaic system	1,865.8	1,151.4	1,165.1
Minus: Energy fed into the grid	839.9	308.1	202.2
Total energy from renewable sources - MWh	**2,841.2**	**843.3**	**2,447.9**
Total energy consumption - MWh	**19,820.8**	**20,001.7**	**22,262.4**
Impact of fossil fuels	**85.7%**	**95.8%**	**89.0%**
Impact of renewable sources	**14.3%**	**4.2%**	**11.0%**

[1] For Group Marais, the consumption of motor vehicle fuel does not include petrol data for cars provided to employees for mixed use, or the diesel consumption of the fleet refuelled outside of France.
[2] Note that for the 2024 data the reporting scope has been extended: in addition to the companies Tesmec S.p.A., Tesmec Peninsula, Groupe Marais SA, Tesmec USA, Inc., Marais Laying Tech. (Pty) Ltd. Nouvell Zelande, Tesmec Saudi Arabia LCC, Tesmec Automation S.r.l., Tesmec Rail S.r.l., Tesmec Australia (Pty) Ltd., Tesmec SA (Pty) LTD, already included in the 2023 NFS, the impacts of Tesmec Guinee SARLU, Marais Cote d Ivoire SARL, Tesmec New Technology Ltd., Marais Trenching (Pty) Ltd. AFS, EURL Tesmec Energy, OOO Tesmec RUS, MIR SA and Tesmec Maroc SARL were included.
[3] 2023 and 2022 figures for fuel are restated following an improvement in the Group's processes for data collection
Sources (MWh conversion factors)
- Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2024 - gov.uk (www.gov.uk)

The reduction in the diesel oil and petrol consumption for motor vehicles in 2024 is due, on the one hand, to greater efficiency in the use of vehicles and, on the other hand, to a slowdown in activities. On the contrary, the consumption of diesel oil used in production and machinery increased, in line with the increase in the production of specific types of vehicles and the machinery used in the relevant production processes. In 2024, Tesmec USA Inc. also adopted a more accurate method of collecting data on its consumption, which resulted in higher values than previously estimated.

The reduction in purchased electricity is mainly due to the integration of the Endine factory into the Grassobbio hub of Tesmec S.p.A., which has improved energy efficiency, and to the closure of two offices of the New Zealand company.

Several Tesmec factories have 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. In 2024, the Tesmec Group produced energy from photovoltaic renewable sources of 1,866 MWh, of which 840 MWh were sold to the electricity network.

The production and sale of electricity from renewable sources increased as a result of the expansion of the photovoltaic plant of Tesmec S.p.A.

With the strategic objective of significantly increasing the amount of energy produced from renewable sources, the Tesmec Group has launched an important initiative at its operational headquarters in Grassobbio. In November 2022, work began to expand and upgrade the existing photovoltaic system in order to maximise solar energy production and reduce dependence on conventional energy sources.
The work involved the complete replacement of the existing photovoltaic panels with the latest generation modules, which are more efficient and have a greater capacity to convert solar energy into electricity. At the same time, the area where the system was installed was enlarged, increasing the surface exposed to solar radiation and, consequently, the total energy produced.

The installation and development work was completed in early 2023, while the connection and technical verification phases required to integrate the plant into the electricity distribution network, were finalised in early 2024. During the transition period, the plant continued to operate in its previous configuration, but nevertheless benefited from the increased efficiency resulting from the replacement of the panels. This made it possible to increase the production of electricity, even without expanding the installation area.

The investment in the photovoltaic system in Grassobbio represents an important step in the Tesmec Group's energy transition, in line with the sustainability goals and reduction of the carbon footprint. The increase in the production of renewable energy has contributed to the reduction of greenhouse gas emissions and the promotion of a more sustainable and responsible development model, with the launch of complementary and integrated projects always linked to energy consumption.

Energy intensity

The energy intensity index of the Tesmec Group, defined as the ratio of total energy consumption to net revenues, is shown below. The energy intensity index shows a decreasing trend over the three-year period, indicating an improvement in energy efficiency. There is a slight increase in 2024, but it remains below the level of 2022.

The net revenues used to calculate the energy intensity index correspond to the Group's total consolidated revenues, including those of Groupe Marais SAS.

Energy intensity index	**2024**	**2023**	**2022**
Energy consumption (MWh)	19,820.8	20,001.7	22,262.4
Net revenues (Euro)	252,755,627.3	251,916,827.3	245,245,511.2
Intensity index (MWh/Euro*1,000)	**0.0784**	**0.0794**	**0.0908**

The energy intensity index was also calculated on the basis of the number of hours worked by own workforce, which was considered significant due to the nature of the Tesmec Group's activities. The trend also in this case shows an improvement in the intensity index over the three-year period.

Energy intensity index	**2024**	**2023**	**2022**
Energy consumption (MWh)	19,820.8	20,001.7**	22,262.4**
Hours worked	1,827,028.5	1,837,291.0*	1,637,621.8*
Intensity index (MWh consumption/hours worked*1,000)	**10.85**	**10.89**	**13.59**

* The hours worked for the years 2022 and 2023 were restated following an improvement in the data collection processes of Tesmec New Technology and Tesmec Saudi Arabia.
** 2023 and 2022 figures for energy consumption are restated following an improvement in the Group's processes for data collection

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

Many 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 2.8 European Taxonomy of Sustainable Activities - Regulation (EU) no. 2020/852.

GHG emissions

ESRS Standards	ESRS 2 MDR-M, ESRS E1 E1-6

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). Emissions are reported in tonnes of carbon dioxide equivalent (tCO2e) and include direct emissions (Scope 1 GHG – Greenhouse Gas) and indirect emissions associated with electricity consumption (Scope 2 GHG) and indirect emissions related to the Value Chain (GHG Scope 3) upstream and downstream of the production process.

The Group's total emissions, including Scope 1, Scope 2 and Scope 3 emissions, are shown below.

Total emissions - Scope 2 Location-based (t CO2e)	**2024**	**2023***	**2022***
Total Scope 1 GHG emissions (direct)	3,715.3	3,761.3	4,262.4
Total Scope 2 GHG emissions (indirect) - Location-based	1,315.6	1,508.1	1,715.3
Total Scope 1/Scope 2 GHG emissions - Location-based	**5,030.8**	**5,269.4**	**5,977.7**
Total Scope 3 GHG emissions	39,948,219.3	-	-
Total emissions (t CO2e)	**39,953,250.1**	**5,269.4**	**5,977.7**

*The values relating to total Scope 1 and Scope 2 emissions were restated for the years 2022 and 2023 following an improvement in the Group's processes for collecting such data. Data has also been recalculated using updated emission factors.

Total emissions - Scope 2 Market-based (t CO2e)	**2024**	**2023***	**2022***
Total Scope 1 GHG emissions (direct)	3,715.3	3,761.3	4,262.4
Total Scope 2 GHG emissions (indirect) - Market-based	665.5	1,940.4	1,151.6
Total Scope 1/Scope 2 GHG emissions - Market-based	**4,380.7**	**5,701.6**	**5,414.0**
Total Scope 3 GHG emissions	39,948,219.3	-	-
Total emissions (t CO2e)	**39,952,600.0**	**5,701.6**	**5,414.0**

*The values relating to total Scope 1and Scope 2 emissions were restated for the years 2022 and 2023 following an improvement in the Group's processes for collecting such data. Data has also been recalculated using updated emission factors.

Direct emissions - Scope 1 GHG

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

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

Total Scope 1 emissions decreased during 2024 compared to previous years. The trend is due to an efficiency in the use of fuels for motor vehicles on the one hand and on the other to a decrease in refrigerant gases.

It should be noted that the Tesmec Group's direct Scope 1 emissions are not covered by regulated emission trading schemes. We also note that the Group's activities do not generate any biogenic emissions.

Direct emissions – Scope 1 GHG (t CO2e)[1]	2024	2023	2022
Vehicle fuel			
Diesel oil	1,874.7	2,065.0	2,315.9
Petrol	198.1	244.0	171.0
Heating			
Natural gas	977.5	754.9	1,008.7
Fuels for production or machinery			
Diesel oil	524.3	449.9	504.5
LPG	32.9	35.0	34.9
F-gas (refrigerant gases dispersed in the atmosphere - R134a)	107.7	212.9	227.0
Total - Scope 1 Emissions (t CO2e)	**3,715.3**	**3,761.3**	**4,262.4**

[1] Note that for the 2024 data the reporting scope has been extended: in addition to the companies Tesmec SpA, Tesmec Peninsula, Groupe Marais SA, Tesmec USA, Inc., Marais Laying Tech. (Pty) Ltd. Nouvell Zelande, Tesmec Saudi Arabia LCC, Tesmec Automation S.r.l., Tesmec Rail S.r.l., Tesmec Australia (Pty) Ltd., Tesmec SA (Pty) LTD, already included in the 2023 NFS, the impacts of Tesmec Guinee SARLU, Marais Cote d Ivoire SARL, Tesmec New Technology Ltd., Marais Trenching (Pty) Ltd. AFS, EURL Tesmec Energy, OOO Tesmec RUS, MIR SA and Tesmec Maroc SARL were included.
[2] 2023 and 2022 figures for fuel used are restated following an improvement in the Group's processes for data collection.
Sources
- Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2024 - gov.uk (www.gov.uk)
- FGAS - Maintenance reports

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 t CO2e emission factor. In the absence of specific contractual agreements, this approach requires the use of national "residual mix" emission factors where technically applicable.

Indirect emissions - Scope 2 GHG

In 2024, 38.6% of the electricity consumed was purchased with Guarantee of Origin contracts, representing 35.6% of indirect Scope 2 emissions location-based.

Indirect emissions – Scope 2 GHG (t CO2e)	2024	2023*	2022*
Electricity purchased - Location-based method	1,315.6	1,508.1	1,715.3
Electricity purchased - Market-based method	665.5	1,940.4	1,151.6

* The values for the years 2022 and 2023 are restated following an improvement in the Group's processes for collecting electricity consumption data (non-material change). Data has also been recalculated using updated emission factors.
Sources:
- Algeria, China, Ivory Coast, Guinea, Morocco, Qatar, Russia, Saudi Arabia, South Africa, Tunisia - Carbon Footprint Ltd's GHG Factors for International Grid Electricity (ROW) 2024
- Australia - Australian Government, Clean Energy Regulator - National greenhouse and energy reporting
- Italy, France - ISPRA - Ministry of the Environment - ISPRA Efficiency & decarbonization indicators ITA Europe 404-2024 Tab 2.7 GHG emission factors for total electricity production (g CO2eq/kWh) – location-based method
- Italy, France - European Residual Mix - AIB (aib-net.org) Tab 2: Residual Mixes – Market-based method
- New Zealand - Ministry for the Environment 2024. Measuring emissions: A guide for organizations
- USA - US EPA – eGrid (ERCT) - Summary Data

Total Scope 2 emissions decreased in 2024 compared to the previous year (-12.9% for Scope 2 emissions calculated with the Location-based method and -65.8% for Scope 2 emissions calculated with the Market-based method). In 2024, as mentioned above, there was a reduction in the activities of some Group companies, which resulted in lower total electricity consumption. Moreover, the strong decrease in Scope 2 market-based emissions is mainly due to

Tesmec S.p.A. which, in addition to the energy self-produced by the photovoltaic system, only purchased electricity from renewable sources (contracts with Guarantee of Origin).

Indirect emissions along the value chain: Scope 3 GHG

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).

The analysis was carried out 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 goods 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	**Transportation and distribution of purchased goods (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 in operations (upstream)**	Emissions from the disposal and treatment by third parties of waste generated by the Group's activities.
6	**Business travelling (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	**Transportation 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 sold products (downstream)**	Impact related to the use by customers of goods sold by Tesmec, such as the use of fuels.
13	**Leased assets (downstream)**	Emissions related to the use of the Group's trenchers rented to third parties.

* The categories "3 Energy consumption not included in Scope 1 and Scope 2 emissions", "10 Processing of sold products" and "12 End-of-life treatment of sold products" reported a non-material level during the analysis, while the categories "14 Franchises" and "15 Investments" were not considered applicable to the Group's activities.

Different approaches were used to calculate Scope 3 GHG emissions, depending on the category of emissions analysed:

- the calculation method used for Category 1 emissions (**purchased goods and services**) follows the approach defined by the GHG Protocol as a Hybrid method. Two different methods were used for purchased goods: the average data method, applied to the purchased goods, and the spend-based method, used for services.
- For Category 2 (**Production goods**), a hybrid approach was used, combining the Spend-Based Method for services included in the assets and the Average Data Method for purchased tangible assets.

- the emissions in Categories 4 and 9 (**Transportation and distribution of purchased and sold goods**) were calculated by mapping destinations and analysing the distances travelled by the various means of transport. For air and sea transport, distances were estimated as the crow flies, with a conservative approach to the calculated emissions.
- for Category 5 (**Waste generated in operations**), the Waste Type Specific Method was applied, together with the Recycled Content Method, which excludes emissions related to recycling from the scope of the companies reported. Emissions from disposal were quantified using the Ecoinvent database, while waste transport was not included at this time.
- emissions of Category 6 (**Business Travelling**) were calculated using data provided by travel agencies and open-source maps. For air routes, distances were considered as the crow flies, while for road trips, actual kilometres travelled were used.
- for Category 7 (**Employee commuting**), the calculation was based on data collected through a questionnaire administered to employees, with a conservative estimate of the number of working days and an exclusion of remote working for those who did not respond to the questionnaire.
- Category 11 (**Use of sold products**) was estimated based on the hours of use throughout the life cycle of the product, linking fuel and electricity consumption to the relative emission factors. For each company division, the data was obtained from precise measurements or calculations based on technical and contractual parameters. For the **sold services**, the emissions were quantified considering the movements of customers for consultancy and training activities at Tesmec offices by applying an emission factor appropriate to the type of service provided. For foreign companies, the figure was estimated from the one of category 11 deriving from the sale of trenchers, calculated for Tesmec SpA, and re-parameterized for the other Group companies on the basis of revenues from products sold.
- Category 13 (leased assets downstream) was estimated on the basis of the punctual consumption of trenchers rented to customers by the companies Tesmec Peninsula WLL and Tesmec Guinee SARLU. The figure was then estimated at Group level on the basis of the balance sheet item “Income from machine rental and excavation activities”.

The following table shows the indirect Scope 3 emissions for each category identified as significant above. For 2024, which is the first year of reporting, it was decided to report the data of Italian companies such as Tesmec S.p.A, Tesmec Rail S.r.l, Tesmec Automation S.r.l. and East Trencher S.r.l on punctual basis, while the data of other companies of the Group are estimated. Tesmec is committed to extending the calculation on punctual basis of the relevant categories to all Group companies from the next financial years.

The analysis of Scope 3 greenhouse gas emissions shows that the category with the greatest impact for the Group is the use of sold products (downstream), which amounts to 39.851.310,5 tCO2e. This figure is closely linked to the high sales of Tesmec Automation, whose products have a long operating life estimated at 15 years, and are used continuously throughout the day, resulting in a significant impact on emissions during their use. Category 1, which concerns emissions deriving from Purchased goods and services, amounted to 77,598.4 tonnes of CO2e. This value is particularly influenced by the use of reinforced steel, which has a high emission contribution in the supply and transformation chain.

To calculate the Scope 3 indirect emissions, the Tesmec Group used both direct sources and estimated data. In particular, it is possible to state that almost all the data comes from primary sources, as only 45.423,73 tCO2e of the total comes from estimates. Only 1.159,2 tCO2e of 45.423,73 tCO2e are referred to Italian companies.

Indirect emissions – Scope 3 GHG (t CO2e)*	**2024**
Category 1 - Purchased goods and services (upstream)	77,598.4
Category 2 - Production goods (upstream)	319.9
Category 4 - Transportation and distribution of purchased goods (upstream)	750.6
Category 5 - Waste generated in operations (upstream)	378.9
Category 6 - Business travelling (upstream)	1,179.8
Category 7 - Employee commuting (upstream)	1,276.2
Category 9 - Transportation and distribution of the finished product (downstream)	1,188.1
Category 11 - Use of sold products (downstream)	39,821,262.9
Total - Scope 3 Emissions (t CO2e) (Italian companies)	**39,903,954.8**

Categoria 11 - Uso del prodotto venduto (downstream)**	30,047.6
Categoria 13 – Beni in leasing a valle (downstream)**	14,216.9
Totale - Emissioni Scope 3 (t CO2e) (Gruppo Tesmec)	**39,948,219.3**

* The values relating to the categories "8 Leased assets" are not shown as they are already included in Scope 1 emissions, and "13 Downstream leased assets" as it is not applicable to the Italian scope subject to reporting.
** Values estimated for foreign companies
Applied emission factors:

- Defra UK - greenhouse gas reporting: conversion factors 2024 - gov.uk (www.gov.uk)
- EUROSTAT, environmentally extended input-output tables and models for Europe (EEIO)
- SimaPro Software 9.6.0.1; Ecoinvent Database v.3.10 - data as unit processes - IPCC GWP 100 calculation method - 2021. The emission factors refer to global {GLO} or world {RoW} values.

To find out more about the targets that the Tesmec Group has set itself in relation to its greenhouse gas emissions, please refer to the chapter Targets related to climate change mitigation.

Emission intensity

The emission intensity index of the Tesmec Group, calculated as the ratio of total Scope 1 and Scope 2 emissions to net revenues, is shown below. For this reporting, it was decided not to include Scope 3 indirect emissions, as the relative reporting scope of does not match that of the other two categories.

The emission intensity index shows a downward trend for both the location-based and the market-based calculations. This trend reflects a gradual reduction in the company's environmental impact, thanks to a lower quantity of emissions per unit of revenue, reflecting improved management of energy consumption.

The net revenues used to calculate the emission intensity index correspond to the Group's total consolidated revenues, including those of Groupe Marais SAS.

Emission intensity index	2024	2023	2022
Total Scope 1, 2 emissions - Location-based (t CO2e)	5,030.8	5,269.4	5,977.7
Net revenues (Euro)	252,755,627.3	251,916,827.3	245,245,511.2
Intensity index (t CO2e/Euro*1,000)	**0.0199**	**0.0209**	**0.0244**

Emission intensity index	2024	2023	2022
Total Scope 1, 2 GHG emissions - Market-based (t CO2e)	4,380.7	5,701.6	5,414.0
Net revenues (Euro)	252,755,627.3	251,916,827.3	245,245,511.2
Intensity index (t CO2e/Euro*1,000)	**0.0173**	**0.0226**	**0.0221**

As with the energy intensity index, the emission intensity index is also shown below on the basis of the number of hours worked by own workforce, which is considered significant due to the nature of Tesmec Group's activities.

The intensity indices calculated with respect to hours worked reflect the positive trend described above, with a constant decrease over the three-year period.

Emission intensity index	2024	2023	2022
Total Scope 1, 2 emissions - Location-based (t CO2e)	5,030.8	5,269.4	5,977.7
Hours worked	1,827,028.5	1,837,291.0	1,637,621.8
Intensity index (t CO2e/hours worked*1,000)	**2.75**	**2.87**	**3.65**

* 2023 and 2022 values are restated following an improvement in the Group's processes for data collection.

Emission intensity index	2024	2023	2022
Total Scope 1, 2 GHG emissions - Market-based (t CO2e)	4,380.7	5,701.6	5,414.0
Hours worked	1,827,028.5	1,837,291.0	1,637,621.8
Intensity index (t CO2e/hours worked*1,000)	**2.40**	**3.10**	**3.31**

* 2023 and 2022 values are restated following an improvement in the Group's processes for data collection.

4.2.2 Pollution

Topic	Sub-topic
E2 Pollution	Substances of concern

4.2.2.1 Impact, risk and opportunity management

The process for identifying and assessing material impacts, risks and opportunities

ESRS Standards	ESRS 2 IRO-1

Impacts	
Substances of concern	Direct negative impacts related to the use of substances of concern in production processes (machining and assembly processes), such as distillates and paraffin oils. These substances can have a negative impact on the environment, in terms of pollution and disposal, as well as on occupational health and safety.

Risks/Opportunities	
Substances of concern	Risks related to increased exposure to regulatory restrictions and sanctions, as the use of substances classified as hazardous is subject to increasingly stringent environmental and safety regulations (e.g. REACH, CLP, European Chemicals Regulation), with possible legal and reputational impacts in case of non-compliance.

The materiality analysis on the topic **ESRS E2 Pollution** considered the assets of the Tesmec Group and its related activities in order to identify the impacts and risks related to air pollution resulting from company operations, as well as the use of substances of very high concern within the Group.

With regard to the topic of **Air pollution**, the Group monitors and manages emissions other than CO_2, such as non-methane volatile organic compounds (NMVOC) and particulate matter (PM10). Annual emissions into the atmosphere have been assessed and compared with the limits set by Regulation (EC) no. 166/2006 of the European Parliament and the Council. The results show that the quantities of pollutants emitted are below the established minimum thresholds and are therefore not material.

With regard to **Substances of Concern**, the significant impacts identified mainly concern production processes using products such as **lubricating oils, toluene, methanol, heavy paraffins and methylene ketone**. These substances are used in activities such as mechanical assembly, painting, machining and rope-works. The analyses were carried out at the Alvarado, Grassobbio, Monopoli and Sirone factories of Tesmec USA Inc., Tesmec S.p.A. and Tesmec Rail S.r.l.

The risks identified refer to the possibility of incurring sanctions as a result of monitoring that does not comply with current regulations on the use of substances of concern in business processes. For more information on the measures adopted by the Group to mitigate this risk, please refer to the next chapter.

Finally, with regard to **Substances of Very High Concern**, marginal quantities of disodium tetraborate pentahydrate were found in the production companies of the Tesmec Group, thus making the topic not material.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.4.1 Materiality analysis (materiality assessment). Consultations with employees and investors were carried out using the survey described in the same paragraph.

Policies related to pollution

ESRS Standards	ESRS 2 MDR-P, ESRS E2 E2-1

As described in paragraph 2.1.3 risk and opportunity management/Policies related to climate change mitigation and adaptation, the Tesmec Group adopted many policies and management systems aimed at mitigating its environmental impact, available on the Group's website. The policies and certifications are also shared with Group workers through internal communication channels.

Although the Tesmec Group does not have a specific policy on the use of substances of concern, it is committed to mitigating the related impacts and risks through established practices and policies already in place, based on recognised standards. This approach is an integral part of the company's sustainability strategy.

In particular, in order to reduce the negative impact related to the use of substances of concern, Tesmec adopted national requirements, such as Legislative Decree 81/2008 (Consolidated Law on Health and Safety at Work), or those expressed in international standards such as ISO 14001 and ISO 45001, which require the correct management of Safety Data Sheets, their constant verification and their availability for consultation by users in the workplace.

Actions and resources related to pollution

ESRS Standards	ESRS 2 MDR-A, ESRS E2 E2-2

Over the last three years, Tesmec intensified its efforts to reduce the environmental impact of its activities, with a particular focus on the management of hazardous substances. These actions are part of a long-term commitment to improve sustainability and environmental safety.

With regard to the management of **hazardous substances**, the Group decided to relocate some storage warehouses, such as those dedicated to oils, in order to minimise the risk of spills and soil contamination. This initiative was taken in accordance with local regulations and with the aim of improving the safety of production sites. The optimisation process will continue in the coming years with the development of integrated HSE (Health, Safety and Environment) projects that also include production efficiency targets.

Another important initiative was the provision of **anti-spill kits** to all factories. These kits are designed to ensure a rapid and effective response in case of environmental accidents by minimising the impact of hazardous substance spills.

With regard to the management of **Volatile Organic Compounds (VOCs)**, Tesmec invested in the installation of activated carbon treatment units to limit the emissions generated by the painting processes. This measure was adopted in the Tesmec S.p.A. factories that carry out this process, helping to reduce harmful emissions into the environment.

The actions taken significantly reduced the risk of accidents. The measurements of the VOCs, carried out using emission control systems that comply with Italian regulations, confirmed a significant reduction in the emissions of these substances. The aim of all these actions is to maintain a virtuous behaviour, in compliance with environmental regulations.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above.

4.2.2.2 Metrics and targets

Targets related to pollution

ESRS Standards	ESRS 2 MDR-T, ESRS E2 E2-3

The Tesmec Group is committed to reducing the environmental impact of its activities, with a particular focus on the management of hazardous substances and pollution prevention.

The Group's main objective is to reduce the use of substances of concern in production processes, with a particular focus on the painting and machining departments. This initiative is closely linked to the environmental management policy, the fundamental aim of which is to minimise the impact of the Group's activities on the environment, particularly air, water and soil.

To achieve this objective, the Group is preparing a specific management system that will involve all production factories. In particular, it is developing a centralised and intelligent database, designed as a dynamic archive of all the chemical substances used in the production departments. This database will be designed to provide detailed and easily accessible information on each chemical. For each product, the database will contain the CAS (Chemical Abstracts Service) number that uniquely identifies the substance, the hazard phrases (H-phrases) and the hazard pictograms in accordance with the CLP (Classification, Labelling and Packaging) Regulation, which provide immediate information on the hazards to health and the environment. The database will also include Safety Data Sheets (SDS), which provide complete information on the properties, risks and safety measures for each substance. Details regarding use, volumes used, suppliers and departments where the substances are used will also be recorded. The system will be equipped with advanced search functions, filters and reporting, allowing for easy consultation and data analysis. The database will also be integrated with the Group's computer systems to ensure constant updating of the information and traceability of the substances.

The Group is also implementing a process to review and strengthen procedures relating to the management of chemical substances. This process actively involves various company departments and offices. In particular, it defines a chemical risk assessment procedure, which involves analysing the hazards and risks related to the use of each substance, and then defining appropriate prevention and protection measures. An authorisation procedure was also introduced for the purchase of new chemical substances, which requires a prior risk assessment and approval by a multidisciplinary team made up of representatives from the purchasing, environment, safety and production departments. Another measure currently underway is the process for controlling and monitoring the use of chemical substances, which involves regular checks on the quantities used, the traceability of flows and the reporting of any anomalies. Emergency management procedures are also in place, setting out the actions to be taken in the event of a spill, fire or other accident involving chemicals.

All these procedures will be integrated into the Group's management system and will be the subject of training and communication to all employees involved. The ultimate goal is to create a culture of prevention and responsible use of chemicals that actively involves all levels of the organisation and encourages proactive and responsible behaviour by all team members.

The Group's targets for substances of concern are listed below:

Material topic	Target	Actions	UoM	2024 Base year	2030 Target
Substances of concern	Reducing the use of substances of concern	Optimisation and centralisation of the research and purchasing process for products used in the company's production departments	kg	78,253.6	-20%

The targets defined by the Group concern all production factories, both in Italy and abroad, and extend to the entire operational network of the Group. These targets are the result of an in-depth analysis of chemical use data, current environmental regulations and industry best practice. The scientific data used to set the targets are supported by chemical databases and safety data sheets provided by suppliers. The targets are also in line with national and European regulations on pollution and aim to achieve a concrete and measurable reduction in the use of hazardous substances. The methodology adopted was developed with the support of experts in the sector to ensure the validity and scientific soundness of the targets set.

During 2024, the Group started preparing the chemical substances database and implementing the new purchasing procedures, processes that will be completed by the end of 2025. Progress towards achieving the targets will be monitored by collecting and analysing data on the use of chemicals. In order to ensure that the actions are progressing correctly, the Group is developing an advanced monitoring system that will allow it to evaluate the effectiveness of the measures adopted and to intervene promptly to make any necessary corrections.

The targets for reducing the use of hazardous substances are based on current environmental regulations, but also reflect the Tesmec Group's voluntary commitment.

The Group gives top priority to reducing its environmental impact, both in absolute and in relative terms. Reducing the use of hazardous substances will have a positive impact on the health of workers and improve the quality of the surrounding environment.

Substances of concern

ESRS Standards	ESRS 2 MDR-M, ESRS E2 E2-5

In accordance with the requirements of *ESRS E2 Pollution/Substances of Concern*, the substances of concern used by the Tesmec Group in the course of its activities are listed below.

The data in the table below refer to the Alvarado, Grassobbio, Monopoli, Sirone and Durtal factories (Tesmec USA Inc., Tesmec S.p.A., Tesmec Rail S.r.l., and Groupe Marais SAS).

Almost 73% of the substances refer to the Grassobbio factory, in particular to assembly machining. These substances are also used in painting, machining and rope-works.
The substances analysed are purchased and used directly in the Group's activities; the Group does not produce or market any substances.

Substances of concern*

Substances of concern (kg)	**CAS no.**	**2024**
Lubricating oils (petroleum), C20-50, neutral oil-based, hydrotreated	72623-87-1	34,221.9
Lubricating oils (petroleum), C24-50, solvent extracted, de-waxed, hydrogenated	101316-72-7	26,611.9
Toluene	108-88-3	8,362.6
Methanol	67-56-1	2,442.9
Distillates (oil), hydrotreating heavy paraffinic	64742-54-7	1,915.8
Methyl ketone	108-10-1	1,215.2
Other substances of concern		3,483.3
Total		**78,253.6**

* For the 2024 Annual Financial Report, it was not possible to collect precise data for the company Tesmec USA Inc. The quantities of substances used were then estimated on the basis of data from the Grassobbio factory, which is similar by type of processing. The proportion is based on the number of trenchers produced in the reference year. For the company Groupe Marais, on the other hand, the most common substances used in the processes were taken into account. The Group is committed to reporting on the indicator in a timely manner over the next few financial years.

4.2.3 Resource use and circular economy

Topic	Sub-topic
E5 Circular economy	Resources inflows, including resource use Waste

4.2.3.1 Impact, risk and opportunity management

The process for identifying and assessing material impacts, risks and opportunities

ESRS Standards	ESRS 2 IRO-1

Impacts	
Resources inflows, including resource use	Negative environmental impacts along the supply chain due to high consumption of non-renewable natural resources (steel, aluminium, nylon, hydraulic and lubricating oils, etc.), with increased pressure on ecosystems. Research and development of circular materials/products and processes.
Waste	Direct negative impacts related to the generation of waste from production processes and their impact on the environment.

Risks/Opportunities	
Resources inflows, including resource use	Defective components/products supplied by third parties and incorporated/marketed by the Group. Risks due to the potential increase in supply costs related to the need for suppliers to adapt to new regulations regarding the supply of raw materials (e.g. circularity), which avoid impacts in terms of biodiversity and consumption of resources. Regulatory restrictions and environmental regulations (such as the European Green Deal and sustainability directives), which could impose stricter limits on the use of critical resources and the extraction of raw materials.
	Supplier selection, technical meetings, activity monitoring and quality control to offer high quality, circular products that satisfy the customer. Developing a circular economy approach by recovering and recycling materials used in production processes, reducing the need for virgin raw materials. Competitive advantage in low-emission sectors, providing sustainable infrastructure solutions for energy transition and network digitalisation.
Waste	Increasingly stringent European and national regulations on the management of hazardous and industrial waste (e.g. Waste Framework Directive, REACH and CLP regulations). Risk of sanctions and fines for non-compliance with environmental and disposal regulations. Reduction and recycling obligations imposed by regulations on circular waste management with impact on business operations.
	Optimisation of waste management through processes that reduce, reuse and recycle production waste, thereby reducing the amount of waste sent for disposal. Reduction of operating costs through strategies to minimise waste and optimise production processes.

The materiality analysis related to **ESRS E5 Resource Use and Circular Economy** enabled the identification of material impacts, risks and opportunities in the operational phases and along the upstream value chain. This analysis was carried out considering the risks and opportunities related to both maintaining the current operating model and integrating additional circular economy practices.

The sub-topics defined as material, both from an impact and a financial point of view, are **Resources inflows, including resource use** and **Waste**.

The procurement of raw materials and other materials is of paramount importance to the Tesmec Group. The activities along the upstream value chain play a strategic role in defining a circular economy model within the Group. In particular, the selection and purchase of high quality recycled, recovered and recyclable materials enables the production of durable goods while reducing the generation of unnecessary waste and represents an important opportunity for sustainable development. Any defects in components or products supplied by third parties and subsequently incorporated or marketed by Tesmec represent a potential risk to the Group. Moreover, another risk factor is represented by the possible increase in procurement costs resulting from suppliers' compliance with new regulations regarding the use of raw materials, aimed at limiting the impact on biodiversity and the consumption of natural resources.

For more information on the resources used by the Tesmec Group, please refer to paragraph 2.7.1 Resource inflows.

The Tesmec Group generates both hazardous and non-hazardous waste from its operations. Compliance with current waste management regulations, identified as a potential risk, is also ensured through the adoption of the ISO 14001:2015 environmental management system by the Group companies with the greatest environmental impact.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.4.1 Materiality analysis (materiality assessment). Consultations with employees and investors were carried out using the survey described in the same paragraph.

Policies related to resource use and circular economy

ESRS Standards	ESRS 2 MDR-P, ESRS E5 E5-1

As described in paragraph 2.1.3 risk and opportunity management/Policies related to climate change mitigation and adaptation, the Tesmec Group adopted many policies and management systems aimed at mitigating its environmental impact, available on the Group's website. The policies and certifications are also shared with Group workers through internal communication channels.

The highest level of management in the organisation of the company that is responsible for implementing the policy is the Chief Executive Officer in collaboration with the Business Unit Directors. The environmental policies are also approved and shared by the CEOs and General Managers of each Company.

Environment, Health and Safety Policies and environmental management system

In addition to what has already been described, the Group's commitments to resource use and circular economy are also addressed in the HSE policies, such as:

- Reduce the amount of waste produced and prioritise waste recovery over disposal;
- Take into account, from the early stages of the project, the environmental impact of the product, both during operation and at the end of its life cycle and disposal.

Marais Laying New Zealand also has an environmental policy that specifically refers to the application of circular economy practices in all its operations to reduce and limit the production of waste products known to be harmful to the environment and to dispose of such waste through recycling or other accepted practices.

Sustainability Policy

The Sustainability Policy also focuses on a commitment related to this topic, namely the promotion of the circular economy and integration of 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.

Quality Assurance Program for materials, products and services - AAR/M-1003

Tesmec USA implemented the Quality Assurance Program for Materials, Products and Services - AAR/M - 1003 (Association of American Railroad) which is a quality standard developed for companies operating in the rail segment. In accordance with AAR/M-1003, Tesmec USA refers to a set of guidelines, requirements and quality management practices for the production and maintenance of rail materials, products and services. The adoption of this system ensures compliance with high quality standards to guarantee the safety, reliability and efficiency of products and services.

Actions and resources related to resource use and circular economy

ESRS Standards	ESRS 2 MDR-A, ESRS E5 E5-2

As described in previous chapters, the Tesmec Group consolidated its commitment to environmental sustainability during 2024. During the year, particular attention was paid to optimising waste management processes by adopting more efficient practices in line with environmental regulations, with the aim of reducing the overall environmental impact of our activities.

During 2024, the Group launched a programme to reorganise its waste management.
In this context, the appointment of an ADR manager for the main Italian factories represented a significant step towards improving safety in the management and transport of hazardous waste. The monitoring activity, carried out through targeted inspections, has made it possible to identify and correct any non-conformities, helping to reduce environmental risks and improve the traceability of materials.

At the same time, a specific training programme was developed for employees involved in waste management operations. The provision of specific courses enabled the skills of staff to be strengthened by raising awareness of best practice in this area and encouraging sustainable behaviour.

Another development was the implementation of the **RENTRI** system, which introduced an advanced digital platform for managing waste transport records and forms. This innovation enabled greater operational efficiency by simplifying procedures and improving material traceability. In line with this vision, Groupe Marais implemented a similar digital traceability system to comply with French regulations and to reinforce the Group's commitment to standardising procedures globally.

The adoption of dedicated software represents a significant investment in innovation and efficiency, allowing you to overcome the limitations of paper-based management and implement a more modern and sustainable approach.
The digital system implemented allows for the centralisation of all waste management data, guaranteeing the traceability of the entire life cycle of materials, from origin to disposal, through real-time monitoring. The automation of administrative processes, including the completion of waste identification forms (FIR) and the generation of loading and unloading records, reduces the risk of error and optimises management time. Moreover, the software is constantly updated in line with national and European regulations, minimising the risk of sanctions and ensuring full compliance with current regulations. Finally, advanced reporting makes it possible to carry out detailed analyses by monitoring performance and identifying opportunities for improvement.

The Tesmec Group promoted a specific training programme for personnel involved in waste management in order to ensure effective use of the new platform and correct application of digital procedures.

In the context of waste management, optimisation measures were also implemented in all the factories, both in Italy and abroad. The main objective was to improve waste separation and prevent accidental spills. The actions undertaken concern not only the waste produced within the factories, but also that generated during maintenance activities as part of the Full Maintenance Service, in particular at the rail sites in which the Group is involved.

Finally, at the **Tesmec USA Inc.** factory, a process was launched to optimise the areas dedicated to waste management, including the reorganisation of spaces, the installation of new containers for separate waste collection and the introduction of stricter control procedures. These measures will be developed and refined over the coming years to increase the effectiveness of the system and improve the overall sustainability of operations.

Tesmec will continue to monitor the effectiveness of the actions taken and to invest in new technologies and solutions to further reduce the environmental impact. In particular, the company plans to extend the optimisation of waste management areas to its suppliers as well, in order to promote sustainable management along the entire value chain. This commitment will help to consolidate Tesmec's role as a leader in sustainability and ensure compliance with the highest environmental standards.

In 2024, the Group also launched initiatives to optimise the resources used in production processes. In particular, Tesmec Automation implemented an efficient logistics system that provides for the return of packaging at the same time as the shipment of material intended for contract work. This approach allows the same packaging to be reused for several operating cycles, contributing to the reduction of waste production, optimisation of the use of resources and a reduction in operating costs.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above.

4.2.3.2 Metrics and targets

Targets related to resource use and circular economy

ESRS Standards	ESRS 2 MDR-T, ESRS E5 E5-3

Material topic	Target	Actions	Target year
Resources inflows, including resource use	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).	In continuity with the business
Waste	Eco-friendly waste management	Improved waste management and traceability of recovery, reuse and recycling operations Information actions on prevention, recycling and reuse	In continuity with the business

The Tesmec Group is committed to improving the efficiency in the use of the main raw materials and processing components, while reducing the generation of waste. This is achieved by adopting a design approach that carefully considers the environmental impact of products throughout their life cycle, from manufacture to disposal. At the same time, optimised waste management is promoted, ensuring the traceability of recovery, reuse and recycling operations. There will also be information campaigns on prevention, recycling and reuse. The pursuit of these objectives is carried out in continuity with the business, and confirms the Group's ongoing commitment to the responsible management of resources and waste.

The Tesmec Group has not currently set quantitative and time-based measurable targets in relation to "Resources inflows, including resource use" and "Waste" as it is committed to developing its sustainability process across all relevant impact areas. As part of this development, the Group will consider the opportunity of introducing specific targets for these aspects in the coming years, in line with its strategic development and the regulatory framework of reference.

Resource inflows

ESRS Standards	ESRS 2 MDR-M, ESRS E5 E5-4

The materials most used in quantitative terms by the production companies (Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec USA, Inc., Groupe Marais SAS) are **semi-finished steel products**, mainly used for the production of trencher plates and **aluminium** (sheets, tubes, rounds) used for stringing equipment ladders and bridges and semi-finished **nylon** products (rings and plates) used for stringing equipment machine capstan sectors, as well as **hydraulic oil and lubricants** used for all machines in the trencher, stringing equipment and rail segments.

For Tesmec Automation, on the other hand, the largest quantities in terms of purchase/use are semi-finished products in aluzinc, mainly used for the protections (19" racks), various types of cabling used with power supply and connection products (cables and connectors), and 19" standardised steel sheet cabinets suitable for housing equipment, sub-frames and removable drawers in a rack version. The company also purchases assembled electronic boards (components and printed circuit boards).

A total of **1,036.1 tonnes of materials** were purchased in 2024, of which almost 53% were semi-finished steel products and hydraulic oil and lubricants, 14.6% from carpentry materials and 11.1% from wooden packing cases and pallets.

Unlike the previous report, the data for Tesmec Automation is also shown for 2024. The downward trend for semi-finished steel products used mainly in the trencher segment and the increase in semi-finished aluminium products is due to the increase in equipment produced in the stringing equipment segment.

72.2% of the cardboard boxes purchased by Tesmec S.p.A. and Tesmec Automation is FSC® certified. As the quantities involved are small compared to other materials used by the Group, the share of products from sustainable supply chains is approximately 1.03% of the total purchases.

It is not currently possible to determine the proportion of products purchased by the Group that are recycled or reused.

Incoming flows (tonnes)*	**2024**	**2023**	**2022**
Technical materials			
Materials needed for the production process that are not part of the finished product			
Hydraulic oil and lubricants	103.0	126.9	152.8
Semi-finished products or components			
Semi-finished steel products (sheets, tubes, rounds)	449.0	522.1	699.2
Semi-finished aluminium products (sheets, tubes, rounds)	43.3	24.8	56.8
Semi-finished nylon products (rings, plates)	64.7	63.6	42.6
Wire assembly	77.6	-	-
Electronic pcb	19.6	-	-
Finished goods			
Carpentry	150.0	-	-
Biological materials			
Packaging materials			
Wooden boxes and platforms	113.9	78.9	77.2
Cardboard boxes	14.9	-	2.7
Total	**1,036.1**	**816.2**	**1,031.3**

* The data reported derives from specific extractions from the D365 management system installed in all the Group's production companies. The weights of wooden boxes and platforms and cardboard boxes are estimated. For the 2024 reporting, it was not possible to estimate the amount of packaging for Tesmec USA Inc. and Groupe Marais for the years 2023 and 2022.

Resource outflows

ESRS Standards	ESRS 2 MDR-M, ESRS E5 E5-5

The sold products

The Tesmec Group operates in the Energy Stringing, Energy Automation, Trencher and Rail segments, designing and manufacturing highly specialised solutions with a strong focus on durability and operational efficiency.

In the **Energy Stringing equipment** segment, Tesmec develops integrated solutions that include a wide range of digital machines for the construction of new alternating and direct current power lines, complementary equipment for the implementation of specific solutions for each type of infrastructure and a line of "Full Electric" zero-emission machines, particularly suitable for urban and semi-urban areas. This equipment is manufactured primarily from steel and aluminium and is expected to last 15 years.

The **Energy Automation** segment comprises a product portfolio focused on intelligent equipment and systems for managing and optimising power networks. In particular, Tesmec provides solutions for the automation and control of high and medium voltage electrical substations, protection, monitoring and management systems for the key elements of distribution power networks (such as, for example, lines, transformers, connectors and phase advancers), specialised telecommunication solutions for high voltage networks, as well as advanced technologies for measuring and monitoring electrical quantities on medium voltage lines in order to identify and quantify technical and non-technical losses present on the networks. The segment also includes voltage and current sensors for protection, monitoring and measurement applications and, more generally, IoT (Internet of Things) systems for the digitalisation and collection of data on electrical infrastructures. Again, the expected durability for all products is 15 years.

The **Trencher** division designs and manufactures machinery divided into different power and weight classes, which can be configured to suit different excavation systems. The available solutions include: machines with "**Rock Hawg**" excavation rollers, used for moving works and for mining activities in surface mines or rock quarries; "**Chainsaw**" chain machines, used in the construction of pipelines, water systems, sewers and drainage systems, irrigation and infrastructures for the distribution of gas, water, electricity and fibre optics; machines with "**Bucket**" system, mainly used for the construction of pipelines; and "**Rocksaw**" disk machines, used for the construction of telecommunications and fibre optic infrastructure. The expected durability for Trenchers and Surface Miners is quantified at 10,000 operating hours, an estimate based on the analysis of the service life of the main components and validated by industry experts.

In the **rail** segment, the Group designs, produces and sells integrated systems for the installation of the railway catenary wire system, working equipment for the maintenance of the catenary wire system, including solutions for catenary wear control and specific tasks such as removing snow from the track, and state-of-the-art vehicles for catenary wire system and track diagnostics. The expected durability of rail products is 30 years, with the exception of a model sold in 2024, which is guaranteed for 24 years.

As a general principle, Tesmec adopts a long-lasting design approach to ensure that the products or systems are durable, efficient and long-lasting.
Tesmec's trenchers and surface miners are designed to operate in the harshest of conditions, ensuring reliability and durability over time thanks to a modular design and easy access to components, facilitating efficient maintenance and repairs, reducing machine downtime. Tesmec's stringing equipment products are also designed to offer maximum reliability and durability without loss of performance; to achieve this goal, design choices and material selection are made on shared platforms by optimising the use of common components to facilitate the procurement of spare parts and ensure fast shipments. Rail products are designed to meet specific reliability, availability and maintainability requirements in accordance with industry standards (CEI EN 50126). Maintainability, i.e. the ability of the product to be maintained or restored to a condition that allows it to function as required, is achieved by ensuring maximum accessibility to all components and developing structured operating instructions for troubleshooting, elements that facilitate efficient and effective preventive and corrective maintenance (repairs).
Tesmec Automation products are designed and homologated in compliance with the strict directives applicable to them, which guarantee their continuous operation over time. Particular attention is paid to electromagnetic compatibility tests (to verify their functionality and behaviour in case of disturbances from the power supply),

vibration and shock tests (to ensure safe transport), thermal or accelerated electrical environmental aging tests (to ensure their reliability over the years).
In the construction of electronic assemblies, the IPC directives are then applied, including those of rework (IPC 7711-7721) specific in the event of repairs or faults by personnel with specific enabling certification. The modularity and accessibility, with which the devices are designed, facilitate any restoration interventions, which are carried out in compliance with the directives on correct handling for the containment of electrostatic discharges (IEC 61340-5-1).

The waste generated

The Tesmec Group considers waste management to be a key element of its sustainability strategy, taking a systematic approach to minimising the environmental impact of its production activities. The production model, based on the assembly of components from external suppliers or produced internally, limits the generation of waste, which is mainly concentrated in the following areas:

- **processing residues**, such as metal waste, shavings and scrap deriving from machining and carpentry processes, the management of which aims to maximise recovery and recycling;
- **auxiliary products** used in painting and maintenance processes, such as solvents, used paints, filters and lubricants, for which particular attention is paid to reducing the use of hazardous substances and preventing pollution;
- **consumables**, such as used oils and filters, deriving from the activities of processing machines, which are treated in compliance with the regulations on hazardous waste and are destined for regeneration processes or controlled disposal.

Regulatory compliance and waste recovery
The Tesmec Group ensures that all waste generated is managed in compliance with national regulations and, where technically and economically sustainable, sent for recycling, recovery or reuse, actively contributing to the transition to a circular economy model. Each factory has a paper register for waste management, an essential tool for ensuring the traceability of materials and for drawing up the MUD (Modello Unico di Dichiarazione Ambientale - Single Environmental Declaration Form).

Shared responsibility and specialised skills
Waste management within the Group involves various professionals with specific roles:

- the **warehouse** personnel are responsible for identifying, storing and managing the delivery of waste to authorised plants;
- the **production** personnel are responsible for internal handling, ensuring the correct separation and destination of waste in the temporary storage areas;
- the **administrative** personnel are responsible for recording the waste in the registers, filling in the MUD (Modello Unico di Dichiarazione Ambientale - Single Environmental Declaration Form) and document management;
- the **HSE (Health, Safety and Environment)** personnel classify and characterise waste, ensure regulatory compliance, coordinate the management of ADR transport and supervise the application of procedures and controls.

ADR management and transport safety
The transport of waste classified as hazardous under the ADR regulations is subject to strict procedures, including the appointment of an ADR manager, the training of personnel involved, the carrying-out of periodic checks and the exclusive use of authorised carriers. In order to manage the increase more efficiently in the delivery of waste subject to ADR regulations, the Tesmec Group appointed an ADR Manager starting from 2024.

Procedures, training and audit
Waste management activities are governed by detailed operating procedures, developed by the HSE department, which define specific methods and criteria for each type of waste. The personnel involved participate in ongoing training programmes aimed at updating their skills and raising awareness of the importance of environmental prevention and best management practices. Periodic internal and external audits are carried out in order to verify compliance with regulations and the effectiveness of the management system by identifying any areas for improvement.

Management of polluting materials and analytical characterisation
Waste containing polluting substances is managed in accordance with current regulations, stored in dedicated areas and subjected to air purification treatments where necessary. The analytical characterisation of waste is carried out periodically by accredited laboratories to ensure that the management method is appropriate to the nature and hazard of the waste.

The waste generated
In 2024, 4,373.4 tonnes of waste were generated, of which 15.2% was hazardous waste (mainly engine oils and emulsions for machinery and oil filters).

The Tesmec Group does not produce any radioactive waste during its operations.

Waste generated (tonnes)[1]	2024	2023[2]	2022[2]
Hazardous waste	644.0	294.4	443.8
Non-hazardous waste	3,697.1	1,219.5	1,021.6
Total waste generated	4,341.1	1,513.9	1,465.4

[1] For the companies Marais Laying Tech. (Pty) Ltd. Nouvell Zelande, Tesmec SA (Pty) LTD, Groupe Marais SAS, Tesmec Saudi Arabia LCC, and Tesmec USA Inc., the quantities of waste generated were calculated using estimates.
[2] The values for 2022 and 2023 were restated following an improvement in the Group's data collection processes by Tesmec USA Inc., Tesmec Saudi Arabia LCC and Groupe Marais SAS.

The type of waste generated during the two-year period and whether it was recovered or disposed of is shown below. The main types of waste generated by the Group's operations are earth and rock, mixed metals and ferrous chips and shavings. During 2024, the group did not generate any radioactive waste.

The significant increase in waste generated by the Group is mainly due to the company Marais Laying Tech. (Pty) Ltd. Nouvell Zelande. In fact, in 2024, the Company carried out an excavation project as part of a project commissioned by a customer located in a contaminated area, which made it impossible to reuse the earth and rocks removed to fill the affected area, generating a much higher amount of waste than normal operations. Other elements that led to an increase in the amount of waste generated were the complete emptying of the tanks and oil separators at the Monopoli site (wastewater), the decommissioning of some machinery for Groupe Marais SAS and an increase in production at Tesmec Automation.

Waste generated by category (t)	2024			2023		
	Recovery	Disposal	**Total**	Recovery	Disposal	**Total**
Hazardous waste						
Sludge	-	13.1	13.1	1.0	11.0	12.0
Paints and varnishes	7.1	-	7.1	3.4	-	3.4
Emulsions and solutions for machinery	35.0	-	35.0	23.5	0.8	24.3
Waste waxes and greases	-	4.1	4.1	-	4.0	4.0
Oils for hydraulic systems, motors, gears and lubrication	29.4	17.0	46.4	27.6	20.2	47.9
Solvents	-	3.4	3.4	-	2.8	2.8
Packaging containing residues of hazardous substances	9.9	-	9.9	10.6	-	10.6
Absorbents, filter materials, wiping clothes and protective clothing contaminated with hazardous substances	9.4	2.2	11.6	8.6	3.3	11.9
Oil filters	2.9	3.1	5.9	0.3	4.7	5.0
Explosive components (for example, airbags)	-	-	-	0.6	-	0.6
Anti-freeze fluids	1.2	4.8	6.0	4.9	0.5	5.4
Various hazardous components	0.2	1.0	1.2	-	2.8	2.8

Disused equipment and machinery	0.7	-	0.7	0.5	-	0.5
Gases in pressure vessels	0.2	-	0.2	2.2	-	2.2
Lead-acid or mercury-containing batteries	6.3	0.3	6.6	3.9	0.3	4.1
Waste aqueous solutions	-	20.1	20.1	0.0	1.5	1.5
Fluorescent tubes and other mercury-containing waste	-	-	-	2,5	-	2,5
Waste oil and water	1.0	194.4	195.4	2.0	147.7	149.7
Acids, not otherwise specified	-	-	-	-	0.4	0.4
Other hazardous waste	174.5	102.8	277.3	0.7	2.1	2.8
Total	**277.7**	**366.3**	**644.0**	**92.4**	**202.0**	**294.4**
Non-hazardous waste						
Treatment sludge	-	-	-	-	-	-
Aqueous suspensions containing paint and varnish	7.7	-	7.7	-	5.6	5.6
Waste printer toner	0.1	0.1	0.2	0.2	-	0.2
Ferrous, non-ferrous and plastic chips and shavings	363.9	2.1	365.9	310.5	3.0	313.5
Dust and particles of ferrous materials	18.7	6.7	25.4	8.0	6.0	14.0
Waste not otherwise specified	337.3	7.7	345.0	116.8	185.4	302.2
Packaging	214.0	2.5	216.5	207.9	2.6	210.5
Processing sludge	-	-	-	-	0.2	0.2
Bodies and materials for grinding used	-	-	-	-	0.5	0.5
Absorbents, filter materials, wiping clothes and protective clothing	-	0.2	0.2	-	0.5	0.5
Disused equipment and components	1.1	-	1.1	0.8	-	0.8
Components removed from decommissioned equipment	2.6	-	2.6	0.4	-	0.4
Waste aqueous solutions	-	70.2	70.2	-	6.1	6.1
Glass	0.1	-	0.1	0.2	-	0.2
Plastic	7.4	0.1	7.5	8.4	0.3	8.7
Copper, bronze, brass	-	-	-	0.8	-	0.8
Aluminium	1.2	-	1.2	2.8	-	2.8
Iron and steel	198.6	5.2	203.8	275.0	4.7	279.7
Cables	2.0	-	2.0	3.5	-	3.5
Paper and cardboard	48.4	0.1	48.5	30.8	-	30.8
Street-cleaning residues	-	-	-	-	5.9	5.9
Bulky waste	-	-	-	0.1	-	0.1
Earth and rocks	-	1,907.3	1,907.3	-	1.4	1.4
Wood	0.2	-	0.2	1.7	-	1.7
Mixed metals	468.7	-	468.7	0.2	-	0.2
Alkaline batteries	-	-	-	-	0.1	0.1
Organic waste	-	-	-	-	0.1	0.1
Other non-hazardous waste	23.2	-	23.2	29.1	-	29.1
Total	**1,695.1**	**2,002.0**	**3,697.1**	**997.1**	**222.4**	**1,219.5**
Total waste generated	**1,972.8**	**2,368.3**	**4,341.1**	**1,089.5**	**424.4**	**1,513.9**
	45.4%	**54.6%**		**72.0%**	**28.0%**	

* 2023 values are restated following an improvement in the Group's processes for data collection.

The quantities of waste are shown below in relation to their destination (recovery or disposal operations).

Waste sent for recycling (tonnes)*	**2024**		
	Hazardous waste	**Non-hazardous waste**	**Total**
Preparation for reuse	25.5	74.9	100.5
Recycling	236.8	1,298.2	1,535.0
Other recovery operations	15.4	322.0	337.3
Total	**277.7**	**1,695.1**	**1,972.8**
Impact of recycling on total waste produced			35.4%
Percentage of non-recycled waste			64.6%

* It should be noted that for the Italian companies and Tesmec USA Inc. the final treatment of hazardous waste generated was determined using the Ecoinvent database. The database was used to define the appropriate end-of-life treatment for each type of waste according to the standardised and validated models contained in the database. On the other hand, for non-hazardous waste, an end-of-life allocation model created by the Group based on information collected from environmental managers was applied. The other companies in the Group reported the waste in relation to the recovery or disposal activities most commonly used for the different types of waste in their respective countries.

Waste sent for disposal (tonnes)*	**2024**		
	Hazardous waste	**Non-hazardous waste**	**Total**
Incineration	52.8	81.1	133.9
Disposal in landfill	313.21	1,920.9	2,234.1
Other disposal operations	0.3	-	0.3
Total	**366.3**	**2,002.0**	**2,368.3**

* It should be noted that for the Italian companies and Tesmec USA Inc. the final treatment of hazardous waste generated was determined using the Ecoinvent database. The database was used to define the appropriate end-of-life treatment for each type of waste according to the standardised and validated models contained in the database. On the other hand, for non-hazardous waste, an end-of-life allocation model created by the Group based on information collected from environmental managers was applied. The other companies in the Group reported the waste in relation to the recovery or disposal activities most commonly used for the different types of waste in their respective countries.

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

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 establishes, through the Requirements in Art. 3 "General Conditions", the **conditions** of the process that leads to the identification of an economic activity as eligible and, if the related and further conditions are met, as aligned and therefore considered environmentally sustainable:

Taxonomy eligible (eligibility)	The Regulation specifies the sectors and economic activities that are taxonomy eligible: for the purposes of eligibility, it is sufficient that they correspond to the description in the Delegated Acts.
Taxonomy aligned (alignment)	For the purposes of alignment, each of the activities identified as eligible must comply with the technical requirements set out below and laid down in the Delegated Acts.
Conditions for alignment	
Substantial contribution	a) [the activity] 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) [the activity] does not cause significant harm to any of the other five environmental objectives in Article 9 (DNSH Do Not Significant Harm).
Minimum Safeguards / .	c) [the activity] 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). For further information, see EU taxonomy for sustainable activities - European Commission (europa.eu)

Disclosure on KPIs (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.
Capital Expenditure (CapEx)	Increases in intangible assets and property, plant and equipment, 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 were 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 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) - Capital Expenditure (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 primarily to the first objective identified by the European Commission, i.e. **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.

In addition, activities contributing to the **circular economy** objective have been identified with a view to analysing activities related to other climate objectives.

Therefore, the data below is a summary of Tesmec's role and contribution to the substantial climate change mitigation and circular economy objectives. 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 and to Environmental Objective 4. Circular economy. For comparison purposes, the 2023 figures are also summarised.

Economic Activities					**EU Taxonomy 2024 indicators (%)**		
Sector / Segment	Sector	Cod.	Description	*Objective: Climate change mitigation*	Revenues	CapEx	OpEx
Trencher Energy / Stringing	3 Manufacturing	3.6	Manufacture of other low carbon technologies	Aligned Eligible, but not aligned Not eligible	18.47% 30.91% -	29.87% 47.31% -	5.26% 49.84% -
Railway	3 Manufacturing	3.3	Manufacture of low carbon technologies for transport	Aligned Eligible, but not aligned Not eligible	4.79% 12.32% -	8.64% 5.82% -	2.01% 25.44% -
All businesses	4. Energy	4.1	Electricity generation using solar photovoltaic technology	Aligned	-	0.07%	-
				Eligible, but not aligned	-	-	-
				Not eligible	-	-	-

Sector / Segment	Sector	Cod.	Description	*Objective: Circular Economy*	Revenues	CapEx	OpEx
Energy / Automation	1 Manufacturing	1.2	Manufacture of electrical and electronic equipment	Aligned Eligible, but not aligned Not eligible	9.06% 0.15% -	6.01% 2.24% -	5.07% 10.37% -
All businesses	5 Services	5.1	Repair, refurbishment and remanufacturing	Aligned Eligible, but not aligned Not eligible	0.89% - 17.20%	0.04% - -	2.02% - -
All businesses	5 Services	5.2	Sale of spare parts	Aligned Eligible, but not aligned Not eligible	2.44% - 3.77%	- - -	- - -

Compliance with specific technical screening criteria by economic activity

Sector/Segment	Economic activities	Description	Target [Substantial contribution]
Trencher 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.	Climate change mitigation Delegated Regulation (EU) no. 2021/2139 04 June 2021
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.	
All businesses	4.1 Electricity generation using solar photovoltaic technology	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology.	
Energy/Automation	1.2 Manufacture of electrical and electronic equipment	Manufacture of electrical and electronic equipment for industrial, professional and consumer use. This activity includes the manufacture of portable rechargeable and non-rechargeable batteries. The activity does not include the manufacture of other categories of batteries.	Circular economy Delegated Regulation (EU) no. 2023/2486 27 June 2023
All businesses	5.1 Repair, upgrading and remanufacturing	Repair, upgrading and remanufacturing of goods that have already been used for their intended purpose by a customer (natural or legal person).	
	5.2 Sale of spare parts	Sale of spare parts. The economic activity does not include the replacement of consumables such as printer ink, toner cartridges, lubricants for moving parts or batteries and maintenance.	

Objective 1 - Climate change mitigation

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 Trenchers** and **surface miners** were aligned. The same approach was applied to the calculation of CapEx and OpEx.

Over the last few years, Tesmec commissioned a study from a specialised consultant 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 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. Carbon Footprint studies were also carried out on 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.

4.1 Electricity generation using solar photovoltaic technology

Tesmec has assessed the activity of producing electricity **using solar photovoltaic technology** as eligible (art. 3 of EU regulation 2020/852).

Activity 4.1 Electricity generation using solar photovoltaic technology Substantial contribution to climate change mitigation	
Technical screening criteria	**Results**
The activity generates electricity using solar PV technology.	Following the analysis of the activity, the investments relating to the photovoltaic system of the Grassobbio plant of Tesmec S.p.A. were included in the CapEx calculation.

Objective 4 - Circular economy

1.2 Manufacture of electrical and electronic equipment [Energy/Automation]

Tesmec assessed the **manufacturing of electrical and electronic equipment** as eligible (Art. 3 of Regulation (EU) no. 2020/852). The economic activity of this category is related to the NACE 27.9, in accordance with the statistical classification of economic activities defined by Regulation (EC) no. 1893/2006.

Activity 1.2 Manufacture of electrical and electronic equipment **Substantial contribution to the circular economy**	
Technical screening criteria	**Results**
1. If the economic activity produces electrical and electronic equipment that complies with all the European Union Ecolabel criteria applicable to this specific category of products, in accordance with Regulation (EC) no. 66/2010 of the European Parliament and of the Council, the activity manager provides evidence of compliance with all the listed requirements, in accordance with the verification criteria of the EU Ecolabel. 2. If there are no EU Ecolabel product specific criteria or the activity manager has not used them, the economic activity of producing electrical and electronic equipment meets all of the following criteria applicable to the product: 2.1. Designed for durability; [...] 2.2. Designed for repair and warranty purposes; [...] 2.3. Designed for reuse and remanufacturing; [...] 2.4. Designed for dismantling; [...] 2.5. Designed for recyclability; [...] 2.6. Proactive replacement of hazardous substances; [...] 2.7. Information for customers; [...] 2.8. Manufacturer's liability. [...]	In the analyses of this economic activity, only the revenues related to Tesmec Automation equipment were included in the calculation of the percentage of revenues related to the taxonomy aligned economic activities. To calculate the CapEx percentage, the Research & Development hours related to the development of the range and the costs related to the expansion of a warehouse were considered; to calculate the OpEx percentage, the non-capitalised Research & Development hours were considered.

5.1 Repair, upgrading and remanufacturing

Tesmec considered the **repair, upgrading and remanufacturing** as eligible (Art. 3 of Regulation (EU) no. 2020/852).

Activity 5.1 Repair, upgrading and remanufacturing **Substantial contribution to the circular economy**	
Technical screening criteria	**Results**
1. The economic activity consists of extending the life of products by repairing, upgrading or remanufacturing products that have already been used for their intended purpose by a customer (natural or legal person). 2. The economic activity meets the following criteria: a) the replaced parts, the upgraded products or the remanufactured products are, where applicable, the subject matter of a contract of sale, and comply with the provisions on product conformity, the seller's liability; [...]; b) the economic activity implements a waste management plan ensuring that the materials of the product, [...], are recycled or, only if reuse and recycling are not feasible, are disposed of in accordance with the applicable Union and national regulations. For remanufacturing, the waste management plan is available to the public.	The analyses of this economic activity included the calculation of the percentage of revenues related to maintenance services. The calculation of the CapEx percentage took into account the costs of the equipment required for the maintenance of rail rolling stock. The calculation of OpEx percentage took into account costs for Bozzolo site.

5.2 Sale of spare parts

Tesmec considered the **sale of spare parts** as eligible (Art. 3 of Regulation (EU) no. 2020/852)

Activity 5.2 Sale of spare parts Substantial contribution to the circular economy	
Technical screening criteria	**Results**
1. The economic activity consists of the sale of spare parts beyond the legal obligations. 2. The economic activity meets the following criteria: a) each spare part sold is, where applicable, the subject matter of a contract of sale and complies with the provisions on product conformity, the seller's liability; […]; b) each spare part sold per product replaces, or is intended to replace in the future, an existing part in order to restore or update the functionality of the product, in particular when the existing part breaks. 3. If the economic activity involves the delivery of packaged products to customers (natural or legal persons), even if the activity is carried out as e-commerce, the primary and secondary packaging of the product meets one of the following criteria: a) the packaging is made up of at least 65% recycled material. […]; b) the packaging was designed to be reusable within a reuse system. […].	The analyses of this economic activity included the calculation of the percentage of revenues related to spare parts for machinery.

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 the two objectives of climate change mitigation and circular economy, the analysis was carried out on the basis of the following:

- 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, circular economy, pollution/chemicals and biodiversity/ecosystems, respectively.
- Delegated Regulation (EU) no. 2023/2486 of 27 June 2023, which establishes the technical screening criteria for environmental objectives (protection of water and marine resources, circular economy, pollution and biodiversity). 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 2 (Objective 4 - Transition to a circular economy), Appendix A sets out the criteria for the objective of 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 and Delegated Regulation no. 2023/2496 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 - Climate change mitigation		**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
Tesmec activity - Transition to a circular economy		**DNSH alignment (YES/NO)**				
Business Unit	**Segment**	**Climate change adaptation**	**Water and marine resources**	**Transition Circular economy**	**Pollution**	**Biodiversity and ecosystems**
Energy	Energy Automation	YES	YES	YES	YES	YES
All business units	-	YES	YES	YES	YES	YES

Objective 1 - Climate change mitigation

Assets **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. Tesmec has also taken out insurance policies to cover the main physical and climatic risks (atmospheric events, earthquakes, telluric phenomena, floods, landslides, avalanches, electrical phenomena, etc.) affecting the Group's Italian companies, among others.
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 digital and full electric machines, able to provide a performance in line with the peculiarities of the project. 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 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); 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.	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 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.
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. Tesmec has also taken out insurance policies to cover the main physical and climatic risks (atmospheric events, earthquakes, telluric phenomena, floods, landslides, avalanches, electrical phenomena, etc.) affecting the Group's Italian companies, among others.
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.

Assets **4.1 Electricity generation using solar photovoltaic technology [All businesses]**	
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. Furthermore, Tesmec has taken out insurance policies for the main physical and climate risks (atmospheric events, earthquakes, seismic phenomena, floods, landslides, avalanches, electrical phenomena, etc.) which affect, among others, the Italian companies of the Group.
3 Sustainable use and protection of water and marine resources	
Criteria not relevant	
4 Transition to a circular economy	
Specific DNSH criteria The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	Analysis has shown that the equipment and components used are easy to dismantle and refurbish.
5 Pollution prevention and reduction	
Criteria not relevant	
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 factories and plants are not subject to VIA because the environmental impact of the plants is not relevant according to the sector directives. The plants themselves are not located in areas sensitive to biodiversity protection and potential impacts.

Objective 4 - Circular economy

Assets **1.2 Manufacture of electrical and electronic equipment [Energy/Automation]**	
Alignment with DNSH criteria *Delegated Regulation EU no. 2023/2486 - Annex 2 - Transition to a circular economy*	
1 Climate change mitigation	
Specific DNSH criteria If it contains refrigerants, the manufactured product complies with the Global Warming Potential (GWP) as defined in Regulation (EU) no. 517/2014 of the European Parliament and of the Council. The company does not manufacture products containing sulphur hexafluoride (SF6). Where applicable, the manufactured product does not achieve a rating lower than the third highest energy efficiency class among those in which a significant percentage of products are classified, in accordance with Regulation (EU) no. 2017/1369 of the European Parliament and of the Council.	The products manufactured do not contain refrigerants
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.	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.

	Tesmec has also taken out insurance policies to cover the main physical and climatic risks (atmospheric events, earthquakes, telluric phenomena, floods, landslides, avalanches, electrical phenomena, etc.) affecting the Group's Italian companies, among others.
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.
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 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); 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. For the production of portable batteries, batteries comply with the sustainability standards for placing batteries on the market in the Union, including restrictions on the use of hazardous substances in batteries, such as Regulation (EC) no. 1907/2006 and Directive no. 2006/66/EC of the European Parliament and of the Council.	Analyses conducted at all Group plants by the Quality, Safety and Environment Department showed that all substances used comply with Appendix C. Tesmec S.p.A. 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.
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.

Assets
5.1 Repair, upgrading and remanufacturing [All businesses]

Alignment with DNSH criteria
Delegated Regulation EU no. 2023/2486 - Annex 2 - Transition to a circular economy

1 Climate change mitigation

Specific DNSH criteria

If the activity involves the on-site generation of heat/cold or co-generation, including electricity generation, the direct greenhouse gas emissions of the activity are less than 270 gCO2e/kWh.

The activity does not involve the on-site generation of heat/cold or co-generation, including electricity.

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.

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

Tesmec has also taken out insurance policies to cover the main physical and climatic risks (atmospheric events, earthquakes, telluric phenomena, floods, landslides, avalanches, electrical phenomena, etc.) affecting the Group's Italian companies, among others.

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.

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

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);
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.

The spare parts installed through repair, upgrading or remanufacturing comply with all relevant Union standards on the restriction of the use of hazardous substances, either generic or specific to the category of products, such as Regulation (EC) no. 1907/2006, Directive no. 2011/65/EU and Directive (EU) no. 2017/2102 of the European Parliament and of the Council. In the case of repairs or upgrades, these

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 S.p.A. factories (Endine Gaiano, Grassobbio and Sirone) and Tesmec Rail S.r.l. (Monopoli, 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.

requirements do not apply to the original components that remain in the product. For installations falling under the scope of Directive no. 2010/75/EU, emissions are equal to or lower than the emission levels related to the ranges of Best Available Techniques (BAT-AEL) established in the most recent conclusions on the relevant Best Available Techniques (BAT), while ensuring that there are no significant cross impacts.	
6 Protection and restoration of biodiversity and ecosystems	
Criterion not relevant.	

Assets **5.2 Sale of spare parts [All businesses]**	
Alignment with DNSH criteria *Delegated Regulation EU no. 2023/2486 - Annex 2 - Transition to a circular economy*	
1 Climate change mitigation	
Specific DNSH criteria If the activity involves the on-site generation of heat/cold or co-generation, including electricity generation, the direct greenhouse gas emissions of the activity are less than 270 gCO2e/kWh. The activity develops a strategy to account for and reduce greenhouse gas emissions from transport along the value chain, including shipments and returns, where traceable.	The activity does not involve the on-site generation of heat/cold or co-generation, including electricity.
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.	The analysis did not reveal any physical climate risks that could significantly affect economic activity. Tesmec has also taken out insurance policies to cover the main physical and climatic risks (atmospheric events, earthquakes, telluric phenomena, floods, landslides, avalanches, electrical phenomena, etc.) affecting the Group's Italian companies, among others.
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.
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 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);	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 S.p.A. factories (Endine Gaiano, Grassobbio and Sirone) and Tesmec Rail S.r.l. (Monopoli, 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.

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.

The spare parts sold comply with all relevant EU standards on the restriction of the use of hazardous substances, either generic or specific to the category of products, such as Regulation (EC) no. 1907/2006, Directive no. 2011/65/EU and Directive (EU) no. 2017/2102.

6 Protection and restoration of biodiversity and ecosystems
Criterion not relevant.

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 social safeguards, 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. Furthermore, the Group analyses and monitors the results of audit activities at its suppliers, including issues related to respect for human rights.

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 Organisational, 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.

Finally, it should be noted that for the 2024 reporting year there were no cases of non-compliance relating to human rights, consumer interests, corruption, competition and taxation.

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.

Capital Expenditure (CapEx) - no significant investments that would fall under the above definition were made during 2024.
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.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Financial year	2024			Substantial contribution criteria (%)						DNSH criteria ('Does Not Significantly Harm') (h)						Minimum safeguards	Taxonomy aligned or eligible proportion of turnover, year 2023	Category enabling activity	Category transitional activity
	Code(s) (a)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
			%	YES - NO - N/EL (b) (c)						YES - NO						YES - NO	%	E	T
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned) (d)																			
Manufacture of renewable energy technologies	CCM 3.1	0.00	0.00%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8.74%	E	
Manufacture of low carbon technologies for transport	CCM 3.3	12.09	4.79%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	3.95%	E	
Manufacture of other low carbon technologies	CCM 3.6	46.69	18.47%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13.64%	E	
Manufacture of electrical and electronic equipment	CE 1.2	22.89	9.06%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%	-	-
Repair, refurbishment and remanufacturing	CE 5.1	2.24	0.89%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	-	Yes	0.00%	-	-
Sale of spare parts	CE 5.2	6.17	2.44%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	-	Yes	0.00%	-	-
Turnover of environmentally sustainable activities(Taxonomy-aligned) (A.1)		90.08	35.65%	23.26%	0.00%	0.00%	12.39%	0.00%	0.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	26.33%		
Of which enabling		58.78	23.26%	23.26%	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	26.33%	E	
Of which transitional		-	-	0.00%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (e) (g)				EL - N/EL (f)															
Manufacture of renewable energy technologies	CCM 3.1	0.00	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.12%		
Manufacture of low carbon technologies for transport	CCM 3.3	31.14	12.32%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14.66%		
Manufacture of other low carbon technologies	CCM 3.6	78.14	30.91%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								57.89%		
Manufacture of electrical and electronic equipment	CE 1.2	0.39	0.15%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.00%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		109.67	43.38%	43.23%	0.00%	0.00%	0.15%	0.00%	0.00%								73.67%		
Total (A.1 + A.2)		199.75	79.03%	66.49%	0.00%	0.00%	12.54%	0.00%	0.00%										
B Taxonomy-non-eligible activities																			
Turnover of Taxonomy-non-eligible activities (B)		53.01	20.97%																
Total (A) + (B)		252.76	100.00%																

** 2023 values are restated following a refinement in the calculation methodology, considering only the Italian companies of the Group in the analysis.*

a

The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

Climate change mitigation	CCM
Climate change adaptation	CCA
Water and marine resources	WTR
Circular economy	CE
Pollution prevention and control	PPC
Biodiversity and ecosystems	BIO

If the activities are eligible to make a substantial contribution to more than one objective, the codes should be indicated for all the objectives

b

Yes - Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
No - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

c

Where an economic activity contributes substantially to multiple environmental objectives, non-financial undertakings shall indicate, in bold, the most relevant environmental objective for the purpose of computing the KPIs of financial undertakings while avoiding double counting.
In their respective KPIs, where the use of proceeds from the financing is not known, financial undertakings shall compute the financing of economic activities contributing to multiple environmental objectives under the most relevant environmental objective that is reported in bold in this template by non-financial undertakings.
An environmental objective may only be reported in bold once in one row to avoid double counting of economic activities in the KPIs of financial undertakings.
This shall not apply to the computation of Taxonomy-alignment of economic activities for financial products defined in point (12) of Article 2 of Regulation (EU) no. 2019/2088.
Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives, by using the template below:

	Portion of turnover/total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	23.26%	43.23%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	12.39%	0.15%
PPC	0.00%	0.00%
BIO	0.00%	0.00%
Total	35.65%	43.38%

d

The same activity may align with only one or more environmental objectives for which it is eligible.

e

The same activity may be eligible and not aligned with the relevant environmental objectives.

f

EL - Taxonomy eligible activity for the relevant objective
N/EL - Taxonomy non-eligible activity for the relevant objective

g

Activities shall be reported in Section A.2 of this template only if they are not aligning to any environmental objective for which they are eligible. Activities that align to at least one environmental objective shall be reported in Section A.1 of this template.

h

For an activity to be reported in Section A.1 all DNSH criteria and minimum safeguards shall be met. Non-financial undertakings may indicate the substantial contribution and DNSH criteria that they meet or do not meet in Section A.2 by using: (a) for substantial contribution - Y/N and N/EL codes instead of EL and N/EL and (b) for DNSH – Y/N codes.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

	Financial year	2024			Substantial contribution criteria (%)						DNSH criteria ('Does Not Significantly Harm') (h)						Minimum safeguards	Taxonomy aligned or eligible proportion of CapEx, year 2023	Category enabling activity	Category transitional activity
		Code(s) (a)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
				%	YES - NO - N/EL (b) (c)						YES - NO						YES - NO	%	E	T
A	**Taxonomy-eligible activities**																			
A.1	**Environmentally sustainable activities (Taxonomy-aligned) (d)**																			
	Manufacture of renewable energy technologies	CCM 3.1	0	0.00%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	10.62%	E	
	Manufacture of low carbon technologies for transport	CCM 3.3	2.84	8.64%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	2.67%	E	
	Manufacture of other low carbon technologies	CCM 3.6	9.83	29.87%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13.30%	E	
	Electricity generation using solar photovoltaic technology	CCM 4.1	0.02	0.07%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	3.41%	-	-
	Manufacture of electrical and electronic equipment	CE 1.2	1.98	6.01%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%	-	-
	Repair, refurbishment and remanufacturing	CE 5.1	0.01	0.04%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	-	Yes	0.00%	-	-
	CapEx of environmentally sustainable activities(Taxonomy-aligned) (A.1)		14.68	44.63%	38.58%	0.00%	0.00%	6.05%	0.00%	0.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	30.00%		
	Of which enabling		12.67	38.51%	0.00						Yes	Yes	Yes	Yes	Yes	Yes	Yes	26.59%	E	
	Of which transitional		0.00	0.00%	0.00						Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%		T
A.2	**Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (e) (g)**				EL - N/EL (f)															
	Manufacture of renewable energy technologies	CCM 3.1	0	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								17.79%		
	Manufacture of low carbon technologies for transport	CCM 3.3	1.92	5.82%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14.01%		
	Manufacture of other low carbon technologies	CCM 3.6	15.56	47.31%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								38.21%		
	Manufacture of electrical and electronic equipment	CE 1.2	0.74	2.24%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.00%		
	CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		18.22	55.37%	53.13%	0.00%	0.00%	2.24%	0.00%	0.00%								70.01%		
	Total (A.1 + A.2)		32.90	100.00%	91.71%	0.00%	0.00%	8.29%	0.00%	0.00%										
B	**Taxonomy-non-eligible activities**																			
	CapEx of Taxonomy-non-eligible activities (B)		0.00	0.00%																
	Total (A) + (B)		32.90	100%																

** 2023 values are restated following a refinement in the calculation methodology, considering only the Italian companies of the Group in the analysis.*

a	The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:	
	Climate change mitigation	CCM
	Climate change adaptation	CCA
	Water and marine resources	WTR
	Circular economy	CE
	Pollution prevention and control	PPC
	Biodiversity and ecosystems	BIO
	If the activities are eligible to make a substantial contribution to more than one objective, the codes should be indicated for all the objectives.	
b	Yes - Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective No - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective	
c	Where an economic activity contributes substantially to multiple environmental objectives, non-financial undertakings shall indicate, in bold, the most relevant environmental objective for the purpose of computing the KPIs of financial undertakings while avoiding double counting. In their respective KPIs, where the use of proceeds from the financing is not known, financial undertakings shall compute the financing of economic activities contributing to multiple environmental objectives under the most relevant environmental objective that is reported in bold in this template by non-financial undertakings. An environmental objective may only be reported in bold once in one row to avoid double counting of economic activities in the KPIs of financial undertakings. This shall not apply to the computation of Taxonomy-alignment of economic activities for financial products defined in point (12) of Article 2 of Regulation (EU) no. 2019/2088. Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives, by using the template below:	

	Proportion of CapEx/total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	38.58%	53.13%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	6.05%	2.24%
PPC	0.00%	0.00%
BIO	0.00%	0.00%
Total	44.63%	55.37%

d	The same activity may align with only one or more environmental objectives for which it is eligible.
e	The same activity may be eligible and not aligned with the relevant environmental objectives.
f	EL - Taxonomy eligible activity for the relevant objective N/EL - Taxonomy non-eligible activity for the relevant objective
g	Activities shall be reported in Section A.2 of this template only if they are not aligning to any environmental objective for which they are eligible. Activities that align to at least one environmental objective shall be reported in Section A.1 of this template.
h	For an activity to be reported in Section A.1 all DNSH criteria and minimum safeguards shall be met. Non-financial undertakings may indicate the substantial contribution and DNSH criteria that they meet or do not meet in Section A.2 by using: (a) for substantial contribution - Y/N and N/EL codes instead of EL and N/EL and (b) for DNSH – Y/N codes.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

	Financial year	2024			Substantial contribution criteria (%)						DNSH criteria ('Does Not Significantly Harm') (h)						Minimum safeguards	Taxonomy aligned or eligible proportion of OpEx, year 2023	Category enabling activity	Category transitional activity
		Code(s) (a)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
				%	YES - NO - N/EL (b) (c)						YES - NO						YES - NO	%	E	T
A	**Taxonomy-eligible activities**																			
A.1	**Environmentally sustainable activities (Taxonomy-aligned) (d)**																			
	Manufacture of low carbon technologies for transport	CCM 3.3	0.17	2.01%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13.29%	E	
	Manufacture of other low carbon technologies	CCM 3.6	0.44	5.26%	Yes	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7.61%	E	
	Manufacture of electrical and electronic equipment	CE 1.2	0.42	5.07%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%	-	-
	Repair, refurbishment and remanufacturing	CE 5.1	0.17	2.02%	N/EL	N/EL	N/EL	Yes	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	-	Yes	0.00%	-	-
	OpEx of environmentally sustainable activities(Taxonomy-aligned) (A.1)		1.19	14.35%	7.27%	0.00%	0.00%	7.08%	0.00%	0.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	20.90%		
	Of which enabling		0.60	7.26%	7.26%	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%	E	
	Of which transitional		-	-	0.00%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.00%		T
A.2	**Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (e) (g)**				**EL - N/EL (f)**															
	Manufacture of renewable energy technologies	CCM 3.1	0.00	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.49%		
	Manufacture of low carbon technologies for transport	CCM 3.3	2.11	25.44%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								28.73%		
	Manufacture of other low carbon technologies	CCM 3.6	4.14	49.84%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								48.88%		
	Manufacture of electrical and electronic equipment	CE 1.2	0.86	10.37%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.00%		
	OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		7.11	85.65%	75.28%	0.00%	0.00%	10.37%	0.00%	0.00%								79.10%		
	Total (A.1 + A.2)		8.30	100.00%	82.54%	0.00%	0.00%	17.46%	0.00%	0.00%										
B	**Taxonomy-non-eligible activities**																			
	OpEx of Taxonomy-non-eligible activities (B)		0.00	0.00%																
	Total (A) + (B)		8.30	100.00%																

** 2023 values are restated following a refinement in the calculation methodology, considering only the Italian companies of the Group in the analysis.*

a

The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

Climate change mitigation	CCM
Climate change adaptation	CCA
Water and marine resources	WTR
Circular economy	CE
Pollution prevention and control	PPC
Biodiversity and ecosystems	BIO

If the activities are eligible to make a substantial contribution to more than one objective, the codes should be indicated for all the objectives.

b

Yes - Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
No - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

c

Where an economic activity contributes substantially to multiple environmental objectives, non-financial undertakings shall indicate, in bold, the most relevant environmental objective for the purpose of computing the KPIs of financial undertakings while avoiding double counting.
In their respective KPIs, where the use of proceeds from the financing is not known, financial undertakings shall compute the financing of economic activities contributing to multiple environmental objectives under the most relevant environmental objective that is reported in bold in this template by non-financial undertakings.
An environmental objective may only be reported in bold once in one row to avoid double counting of economic activities in the KPIs of financial undertakings.
This shall not apply to the computation of Taxonomy-alignment of economic activities for financial products defined in point (12) of Article 2 of Regulation (EU) no. 2019/2088.
Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives, by using the template below:

	Proportion of CapEx/total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	7.26%	75.28%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	7.08%	10.37%
PPC	0.00%	0.00%
BIO	0.00%	0.00%
Total	14.35%	85.65%

d

The same activity may align with only one or more environmental objectives for which it is eligible.

e

The same activity may be eligible and not aligned with the relevant environmental objectives.

f

EL - Taxonomy eligible activity for the relevant objective
N/EL - Taxonomy non-eligible activity for the relevant objective

g

Activities shall be reported in Section A.2 of this template only if they are not aligning to any environmental objective for which they are eligible. Activities that align to at least one environmental objective shall be reported in Section A.1 of this template.

h

For an activity to be reported in Section A.1 all DNSH criteria and minimum safeguards shall be met. Non-financial undertakings may indicate the substantial contribution and DNSH criteria that they meet or do not meet in Section A.2 by using: (a) for substantial contribution - Y/N and N/EL codes instead of EL and N/EL and (b) for DNSH – Y/N codes.

4.3 Social issues

4.3.1 Own Workforce

Topic	Sub-topic	Sub-sub-topic
S1 Own workforce	Working conditions	Secure employment Adequate wages Social dialogue Freedom of association, the existence of works councils and the information, consultation and participation rights of workers Collective bargaining, including rate of workers covered by collective agreements Work-life balance Health and safety
	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value Employment and inclusion of persons with disabilities Diversity Training and skills development
	Other work-related rights	Child labour Forced labour

4.3.1.1 Strategy

Interests and views of stakeholders

ESRS Standards	ESRS 2 SBM-2

The main stakeholders of the Tesmec Group include internal and external figures, and each category of stakeholder represents unique needs and perspectives. The Group is committed to staying informed and responding to the opportunities and risks identified through dialogue with its stakeholders. Among these stakeholders, the workforce plays a fundamental role as a key element in achieving business objectives and guiding strategic decisions.

The Group recognises that the active involvement of its employees is essential not only for the effective implementation of its vision, but also for the development of business policies. To this end, Tesmec considers it strategic to maintain a constant dialogue with its employees and also workers' representatives, integrating their views and contributions into the main decision-making phases. The Group also promotes an open and transparent communication environment through structured engagement initiatives that encourage ongoing dialogue and direct participation.

For a more detailed overview of the Group's activities to engage own workforce, please refer to paragraph 1.2.2 Stakeholders: interests and expectations.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS Standards	ESRS 2 SBM-3

Impacts	
Working conditions	Direct positive impacts related to attracting talent, developing employment and creating a peaceful and quality working environment to improve the well-being of workers, offering them adequate wages, working conditions in line with the relevant collective agreement, protecting their work-life balance and guaranteeing them the possibility of social dialogue and freedom of association.
Working conditions/Health and safety	Potential direct negative impacts on the health and safety of Tesmec Group employees during the course of business activities.

Equal treatment and opportunities for all	Direct positive impacts related to creating a work environment that respects and values diversity, is non-discriminatory and inclusive, and ensures equal opportunities and fair treatment
Training and skills development	Direct positive impacts related to the technical and general training guaranteed to the Group's employees, promoting their personal and professional growth.
Other work-related rights	Direct positive impacts related to the creation of a working environment that guarantees respect for human rights and rejects the use of child and/or forced labour.

Risks/Opportunities	
Working conditions	Difficulty in finding professionals with specific skills for the Group's business. Difficulty in finding qualified personnel to support production, which threatens the quality and efficiency of the production process. Difficulty in managing the workload resulting in delays in production, the need to outsource and hire new specialised personnel.
	Attracting talent and new professionals to support the Group's growth through Employer Branding activities carried out at universities and institutes.
Working conditions/Health and safety	Risk of injury to workers on company premises. Personal injuries while travelling abroad, especially in high-risk countries Work-related injuries/personal injuries to workers during the configuration, commissioning and training of customers in the use of the Group's products in site areas defined by the purchaser or during the use of the Group's products to carry out specific excavation work agreed at the time of signing the purchase contract.
Equal treatment and opportunities for all	Difficulties in organising and managing workers in the various companies of the Group due to cultural differences, resulting in unequal treatment and opportunities. Risks from incidents of discrimination between the Group's employees and workers due to inadequate measures and protocols for the protection of diversity and equal opportunities (reputational).
	Promotion of diversity as a stimulus for innovation and internal training with the aim of eliminating or reducing diversity in the Group.
Training and skills development	Failure to update skills in a constantly evolving market, leading to skills gaps and delays in adopting new technologies, impacting operational efficiency and innovation. Risk arising from a high turnover rate and the resulting loss of key personnel with years of experience and internal training.
	Increased efficiency and adaptability by developing the skills needed to respond to new market challenges, technological innovations and regulatory changes, making the Group more agile and competitive.
Other work-related rights	Risk arising from possible violations of workers' human rights or non-compliance with social standards in the course of their activities, which could lead to significant (reputational) disputes.

In order to analyse and assess potentially material topics for the Tesmec Group as part of own workforce, the topics proposed by ESRS 1 General Requirements, such as Working Conditions, Equal treatment and opportunities for all and Other work-related rights, were considered. All workers of the Tesmec Group were included in the double materiality analysis (employees and non-employees). For more information on the types of employees and non-employees that make up own workforce of the Group, please refer to chapter 3.1.4 Metrics related to own workforce.

In terms of impact, an analysis was carried out of the Tesmec Group's internal operations in relation to its workers. In particular, initiatives aimed at attracting talent, developing employment and creating an inclusive and quality working environment to improve employee well-being were considered. To this end, the Group is committed to ensuring adequate wages, working conditions in accordance with the relevant collective bargaining agreements, respect for work-life balance, as well as the right to social dialogue and freedom of association.

Other positive impacts that emerged from the analysis relate to the creation of an inclusive working environment based on respect and appreciation of diversity, free from any form of discrimination and focused on promoting equal opportunities and fair treatment. The Tesmec Group is also committed to ensuring respect for human rights and strongly condemns any form of child labour and/or forced labour.

The Tesmec Group actively promotes the personal and professional growth of its own workforce, providing technical and professional training courses for the benefit of employees, in addition to what is required by the regulations in force. Continued investment in skills development is seen as essential to meet the challenges of a constantly evolving market.

The only negative impact identified in the double materiality analysis, also considered a risk factor, concerns the possibility that Tesmec Group workers may be exposed to injury while carrying out business activities. The Group continuously monitors potential injuries and occupational diseases and implements preventive and risk management measures. A more in-depth analysis of these aspects is given in chapter 3.1.4 Metrics related to own workforce/Health and safety metrics.

The Tesmec Group identified a number of potential risks related to the management of its own workforce. These include the difficulty of attracting and retaining the highly specialised skills essential to the Group's business in all areas of activity. Additional risks are related to the complexity of managing a workplace with significant cultural differences, which could lead to unequal treatment and opportunities. Particular attention was also paid to the possibility of discrimination between the Group's employees and workers, as well as to potential violations of human rights or non-compliance with social standards in business activities.

The Tesmec Group is aware that in some of the countries in which its companies operate (e.g. Africa) there is a risk of forced, child and/or compulsory labour due to factors such as poverty, lack of access to education and the absence of effective laws on the matter. These risks are mostly related to unskilled labour. The Group guarantees that these practices are absolutely prohibited in all circumstances and in all Group entities, including through the dissemination of the Code of Ethics and the Human Rights Policy.

The opportunities for the Tesmec Group were analysed in relation to the Employer Branding activities, which are carried out annually at universities and schools in order to attract new professionals to support the company's growth. Another opportunity is the support and training provided to the entire management of the Group to facilitate personnel management in the different companies and to ensure fair treatment and equal opportunities for all employees. Finally, the personal and professional growth of key resources was identified as a strategic opportunity, considered an essential element in the development of the business.

In the absence of a formalised and structured transition plan to reduce environmental impacts and achieve carbon neutrality, no significant impacts on the workforce have been identified at this time as a result of the policies and actions undertaken by the Tesmec Group.
The analysis carried out did not reveal any significant differences in the exposure to risks among workers with specific characteristics or in relation to specific contexts or activities. The risks identified are uniformly applicable to the entire own workforce of the Tesmec Group.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.4.1 Materiality analysis (materiality assessment). Consultations with employees and investors were carried out using the survey described in the same paragraph.

4.3.1.2 Impact, risk and opportunity management

Policies related to own workforce

ESRS Standards	ESRS 2 MDR-P, ESRS S1 S1-1

The Tesmec Group considers human resources as a primary value in achieving its objectives. To protect and promote the rights of the entire own workforce, the Group adopted various internal policies, including the Code of Ethics, the Sustainability Policy, the Environment, Health and Safety Policy, and the Human Rights Policy, as well as certifications and management systems such as the guidelines on the management system for gender equality (UNI/PdR 125:2022), the management system for occupational health and safety (ISO 45001:2018) and the Entity in Charge of Maintenance (ECM). The Group applies the policies mentioned to its entire workforce. A single human resources policy has not yet been formalised. In fact, 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 Tesmec Group adopts policies relating to the management of its own workforce in compliance with internationally recognised instruments on human rights and working conditions. In particular, the company complies with **the United Nations Guiding Principles on Business and Human Rights**, and the fundamental conventions of **the International Labour Organization (ILO)** by ensuring respect for workers' rights and promoting fair, safe and inclusive working conditions. The Group also ensures compliance with the principles of corporate social responsibility, adopting ethical and transparent management practices in line with the United Nations **Sustainable Development Goals (SDGs)**.

The highest level of management in the organisation of the company that is responsible for implementing the policy is the Chief Executive Officer in collaboration with the Business Unit Directors.

The policies adopted are available on the Group's website. The policies and certifications are also shared with Group workers through internal communication channels. The values and principles described in the following policies represent the Group's cultural heritage and are disseminated at all levels through the commitment to organise awareness-raising and training activities.

Code of Ethics

The policies implemented with regard to own workforce are based on the principles and indications contained in the Code of Ethics, which inspires the entire Tesmec Group. 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. The Group ensures working conditions that respect individual dignity and safe working environments.

Tesmec is committed to communicating clear, unambiguous and shared values and principles of behaviour to its stakeholders, through the acronym SPEED:

- **S**afety and ethics: Tesmec's goal is to guarantee the highest safety standard with a sense of responsibility for oneself and others;
- **P**erformance improvement guidance for oneself and for the company: it is the ability to pursue personal and group goals and improve performance;
- **E**mpowerment for continuous improvement: improving the products and services offered by setting ambitious goals;
- **E**nthusiasm, passion, commitment and self-motivation: working with enthusiasm and pleasure;
- a**D**aptability: resilience by adapting plans and behaviours to respond to the changing environment.

The Group's Code of Ethics also specifically addresses the topic of respect for human rights. In fact, among the ethical principles of reference, it also mentions the protection of human rights. 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.

With regard to the inclusion of people belonging to potentially vulnerable categories, the Parent Company activated IFTS (Istruzione e Formazione Tecnica Superiore, Advanced Technical Education and Training) courses for the vocational retraining of adults in situations of socio-economic hardship and to provide training and employment opportunities for young people who have not obtained a high school diploma. The Tesmec Group also received the "Welcome. Working for Refugee Integration" award, which is assigned every year by UNHCR Italy (United Nations High Commissioner for Refugees) to companies that have distinguished themselves by hiring new beneficiaries of international protection, or in any case by promoting their concrete employment and social integration, for having hired a Ukrainian refugee in their subsidiary Tesmec Rail S.r.l (based in Monopoli).

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

For more information on the contents of the Group's Code of Ethics, please refer to chapter 4 Governance topics/4.2.2 Corporate culture and business conduct policies.

Sustainability Policy

The Sustainability Policy defines the principles that guide the Tesmec Group in contributing to the development of a business that is responsible from an economic, social and environmental point of view along the entire value chain, in order to create positive impacts and mitigate negative ones, creating value for both the company and all stakeholders.

Through its Sustainability Policy, the Tesmec Group reaffirms the importance it places on its workers by promoting a good working environment and respect for human rights. In particular, the strategic guidelines outlined concern the following priorities:

- 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.

Human rights policy

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**.

Tesmec promotes the founding principles of international and European conventions and declarations, including the United Nations (UN) International Bill of Human Rights, the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights, the fundamental conventions of the International Labour Organization (ILO) - no. 29, 87, 98, 100, 105, 111, 138, 182 -, the declaration on Fundamental Principles and Rights at Work and Italian Legislative Decree no. 231/2001. In addition to this, the most recent editions of private sector standards and voluntary initiatives have been taken into consideration, including, for example, the 10 principles of the UN Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

In the Human Rights Policy, the Tesmec Group refers to the following principles on labour practices:

- Rejection of forced or compulsory labour and child labour
- Respect for diversity and non-discrimination
- Freedom of association and collective bargaining
- Health, safety and well-being
- Fair and favourable working conditions.

Tesmec is aware of the importance of having a control system in place to ensure that human rights performance is monitored and that any risks and negative impacts on human rights are properly monitored and, if present, managed. Tesmec verifies the effectiveness of the approach adopted mainly through dedicated tools, which consist of procedures for the identification and periodic assessment of risks inside and outside the Group, a system for reporting violations, a system of sanctions and dialogue with stakeholders.

Listening to stakeholders and maintaining an ongoing dialogue with them is a valid system for monitoring and managing human rights. As envisaged by the Code of Ethics, in order to bring to light anomalous cases or alleged offences, Tesmec makes available, on the dedicated pages of the Group's institutional websites, systems suitable for receiving reports from stakeholders, always protecting the whistle-blower, in accordance with the regulations in force. The management of the reports is entrusted to the Internal Audit Function, which, after verifying their relevance and validity on the basis of precise factual elements, submits these cases to the attention of the company function or the competent corporate bodies, which consider the initiation of legal proceedings or the adoption of measures in accordance with law provisions and with the envisaged contractual systems.

Guidelines on the gender equality management system (UNI/PdR 125:2022)

UNI/PdR 125:2022, introduced as part of the National Recovery and Resilience Plan (NRRP), sets out guidelines for the implementation of a gender equality management system, providing a framework for the promotion of inclusive and equal practices within organisations.

In 2024, Tesmec Automation was awarded the gender equality certification, a recognition that demonstrates a company's commitment to promoting gender equality and women's empowerment.

Entity in Charge of Maintenance (ECM)

Tesmec Rail holds the Certificate of Conformity as an Entity in Charge of Maintenance (ECM) for the "'works vehicles" category.

This certification attests to compliance with the regulatory requirements in force, guaranteeing the adoption of an effective maintenance management system that complies with the safety and reliability standards required in the rail segment.

The occupational health and safety management system (ISO 45001:2018) and the Environment, Health and Safety Policy

The Tesmec Group 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.

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.

The main activities subject to intervention and monitoring of the Policy are mainly the design, production, marketing, maintenance and after-sales service of the products offered.

All Group workers are regularly informed about Health and Safety issues and are encouraged to report dangerous conditions to their supervisors or Quality, Health, Safety and Environment Manager (QHSE Manager). Moreover, when an injury occurs, specific internal procedures are implemented to carry out an appropriate investigation and to determine the action to be taken to prevent its recurrence.

All the Italian companies[12] and the subsidiary Marais Laying New Zealand have certified Management Systems according to ISO 45001:2018. The US subsidiary, on the other hand, has been a member of OSHCON (Occupational Safety and Health Consultation Program) for many years. This programme, which is administered by OSHA (Occupational Safety and Health Administration), involves annual audits and constant Safety checks carried out by technicians from outside the organisation. Moreover, 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 for Italy, DUERP for France). All Italian plants have their own occupational health specialist and meetings are organised at least once a year between the occupational health specialist, the HSO, the Safety Delegates and the Workers' Representative for Safety.

An operating procedure is also in place, with the support of the Group's QHSE Manager, and invites Tesmec Group employees to follow 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 in the future.

With regard to 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 and to all other persons involved in the organisation of safety, such as Health and Safety Officer (HSO), QHSE Manager, Delegates, Managers and Heads. Moreover, all factories have an ASPP (Prevention and Protection Service Officer), a role covered by 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.

Many companies in the Tesmec Group (Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l. and Marais Laying New Zealand) manage occupational health and safety topics 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.

Occupational Safety and Health Consultation Program (OSHCON)

Finally, it should be noted that Tesmec USA Inc. participates in the Occupational Safety and Health Consultation Program, which provides free and confidential support to help companies identify and correct potential workplace hazards, improve safety practices and ensure compliance with OSHA regulations. Through OSHCON, companies can receive on-site assessments, recommendations for improving safety, specific training and support in developing health and safety programmes.

[12] Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l.

Processes for engaging with own workforce and workers' representatives about impacts

ESRS Standards	ESRS S1 S1-2

Employee engagement
Employee engagement is a pillar of Tesmec Group's strategy, which aims to promote a supportive and stimulating working environment through a range of engagement initiatives. These include the important role played by the interdepartmental and Cross-BU discussion tables, dedicated to key topics such as working methods, data governance, electrification and project progress.

Moreover, with the aim of recognising the value of the employee as a strategic resource, Tesmec S.p.A. offers workers the opportunity to make suggestions to contribute to product and method innovation and sustainability. Suggestions can be sent via an online form or a dedicated email, and will be reviewed and, if deemed valid, approved by the persons in charge.

The engagement activities also include recreational and sporting events, aimed at strengthening team building and promoting a positive company climate. Their organisation is entrusted to the Human Resources department.

All of these initiatives are carried out with full respect for human rights, as set out in the Code of Ethics and corporate policies, and with a commitment to ensuring fair and safe working conditions.

In addition to the above, the Tesmec Group promotes various engagement activities aimed at increasing the sense of belonging to the Group and strengthening team building.

Communication with Workers' Representatives
The company maintains a constant dialogue with the workers' representatives, regularly informing them of all decisions concerning the workforce. These meetings, held at the company's headquarters, are an opportunity to share business performance and initiatives that have a significant impact. If necessary, following negotiations, second-level agreements can be defined to regulate specific initiatives.

The task of the workers' representatives is to defend the interests and bring to light the ideas, opinions and advice of the company's workforce, expressing their own opinions on the company's performance. These opinions can influence the direction of company's decisions and activities. Currently, with regard to Tesmec S.p.A. (the only Italian company with workers' representatives), meetings are held approximately every quarter, with the participation of the HR Director and, sometimes, also the CEO of the company.

In contracts and opinions expressed by workers' representatives, the Group adopts an inclusive approach that considers the perspectives of the categories of workers who are potentially more vulnerable or at risk of marginalization. This is done through continuous dialogue with trade union representatives and the adoption of specific measures aimed at ensuring equal opportunities, active listening and protection of the particular needs of these groups.

Processes to remediate negative impacts and channels for own workforce to raise concerns

ESRS Standards	ESRS S1 S1-3

Tesmec adopts processes to mitigate the negative impacts of its activities, while ensuring an ethical and transparent working environment. These include reporting channels, which are an essential tool for employees to raise concerns safely and confidentially.

In this context, the Tesmec Group activated the whistle-blowing channel, which allows employees and collaborators to report cases of possible violations, i.e. behaviour, acts and omissions that constitute relevant illegal conduct pursuant to Italian Legislative Decree no. 231/01, violations of the Code of Ethics or internal regulations or that in any case that may damage or cause prejudice, even if only to the image, of Tesmec. Whistle-blowing is open to anyone operating in the company, including workers, suppliers, contractors, customers, members of local communities, etc. Reports can be made through written or oral channels that are made available to personnel.

To facilitate access to the system, the whistle-blowing procedure is available directly on the Group's website. A dedicated telephone service is available in addition to the digital channel.

The Group has a strict whistle-blower protection policy. Any retaliatory or discriminatory behaviour towards them, as well as any shortcomings in the verification and analysis of reports by the governing bodies or persons acting on behalf of the Group companies, will be subject to sanctions in accordance with the adopted disciplinary system.

Moreover, at least two types of monthly meetings have been planned throughout 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.

Taking action on own workforce

ESRS Standards	ESRS 2 MDR-A, ESRS S1 S1-4

The Tesmec Group adopted a number of measures to prevent, mitigate and remedy negative impacts, while creating positive impacts in relation to its own workforce. The actions taken by the Group companies and their effectiveness are set out below.

In order to mitigate the risks identified in relation to people, the Tesmec Group draws up an Employer Branding Plan on an annual basis and regularly carries out on-the-job training activities for employees delivered by senior figures. The definition of workforce efficiency and retention plans is also being assessed.

Recruitment and retention

During 2024, 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 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.
Thanks to its long-standing relationship with the University of Bergamo, Tesmec also had the opportunity to host a delegation of 20 students from the Master's Degree in Advanced Manufacturing at its Grassobbio headquarters for a guided tour of the production factories.

During 2024, the project launched at the end 2022 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 2024, 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, a resource was employed under the apprenticeship contract Art. 43 for vocational qualification and diploma.

In order to increase collaboration networks between the world of education and the world of work, during 2024, various groups of 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.

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.

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 2024 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.

Consistent with 2023, the participation of the company in the WHP (Work and Health Programme) project continued in 2024, 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 2024 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 2024, Tesmec also promoted an important volunteer project with several initiatives in Italy and abroad:
- Food collection in collaboration with Banco Alimentare of Bergamo;
- Collection of toys to be donated to children's hospitals in the Bergamo area;
- 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.

Welfare platform (TimesWapp)

The TimesWapp Welfare platform offers a wide range of services to improve the quality of life of employees and provide valuable support to their families. In fact, employees can make different types of requests using welfare credit:
- Free Voucher: Allows employees to freely choose between different suppliers for services such as travel, experiences and purchases of goods.
- Refunds: Employees can request refunds for school, university and medical expenses, utility bills and other specific categories.
- Family support: Includes refunds for crèches, babysitters and care for the elderly or dependent relatives, shopping vouchers and fuel vouchers.
- Mobility and transport: Covers transport costs and social security contributions.

The benefits are many and significant in that the provision of welfare services helps to balance the work and personal lives of employees, increasing their satisfaction and productivity, creating a more positive and productive working environment, and strengthening employee loyalty.

Training in cyber security

An e-learning platform for cybersecurity training ("Cyber Guru") was launched in 2023, which has proven to be a valuable tool not only in the workplace but also in the personal sphere. The 3-year course consists of 12 modules per year (one per month), each focusing on a specific topic. At the end of each module there is a short test, consisting of multiple choice questions, which must be passed in order to move on to the next module.
By way of example, and not limited to, some of these are mentioned below: Phishing, Social Media, Privacy and GDPR, Passwords, Fake News, Web Browsing, Malware & Ransomware, E-mail Security (etc.).
The course is aimed at all employees with a company account and is designed to provide the tools and skills necessary to counter cyber threats, as anyone can unwittingly become a victim of a cyber attack.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above.

4.3.1.3 Metrics and targets

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS Standards	ESRS 2 MDR-T, ESRS S1 S1-5

Working conditions and training

Material topic	Target	Actions	KPI/UoM	2024 Base year	2030 Target
Working conditions	Strengthening and promoting a positive, fair and stimulating working environment	Implementing Talent Acquisition and Employer Branding strategies to attract the best candidates on the market	Percentage of positive turnover	11.2%	12%
Training and skills development	Providing employees with new knowledge and skills, improving their individual and collective performance, and increasing the efficiency and quality of their work	Strengthening on-the-job training, which is strategic to the development of specific skills for the organisation's business Encouraging discussion and raising awareness among personnel on material topics such as gender equality, safety and sustainability Collaborating with institutions, schools and universities for training purposes	Average hours of training per employee	7.2	14

The Tesmec Group is committed to achieving the above targets by 2030. The context of reference is the one described the general disclosure of strategy, business model and value chain as well as stakeholder relations and underlying business relationships and sustainability context.

Employment development, through the implementation of **Employer Branding** and **Talent Acquisition** strategies, aims to attract talent and skilled professionals to support the growth of the Group. The introduction of new resources allows for innovative ideas and diversified perspectives within the organisation, favouring an adequate capacity to adapt to market changes and technological evolution, while avoiding the loss of company know-how. At the same time, the adoption of **retention strategies** aims to reduce the risk of losing key personnel whose value is enhanced by years of experience and internal training through actions and processes aimed at reducing negative turnover.

The creation of **a working environment based on well-being and quality of professional life** aims to ensure an optimal work-life balance for employees. This objective is pursued through the introduction of corporate welfare initiatives and opportunities for personal growth, including social activities that benefit the local communities in which the Group operates.

Updating and improving the skills of our employees is another strategic element, pursued through **technical and cross-disciplinary training** programmes. The aim is to ensure that personnel have the necessary skills to meet future challenges. In this context, the strengthening of on-the-job training is a key element in the development of technical experts and resources capable of acquiring highly specialised skills directly in the field, thus helping to mitigate the difficulties in finding professionals with specific qualifications for the Group's business.

The Tesmec Group has adopted corporate policies to guide the implementation of these objectives, ensuring that they are an integral part of the company strategy and that the Group operates in a sustainable and responsible manner. To this end, reference is made to the operating instructions on training and turnover management, which play a fundamental role in the effective implementation of the corporate policies.

The Tesmec Group is committed to establishing and maintaining stable and long-term working relationships, ensuring fair and sustainable employment conditions over time. This commitment, which is an integral part of the company's strategy, is pursued in continuity with the Group's activities and in compliance with the Code of Ethics, promoting a working environment based on transparency, the enhancement of people and the protection of employees' rights. Moreover, in situations where there are no national collective agreements, the Group adopts corporate policies based on international best practice to ensure adequate standards of protection and well-being for all workers.

In line with the gender equality management system achieved by Tesmec Automation, the Group will provide training on equal opportunities and diversity to all its own workforce. On the other hand, in relation to what is stated in the 2023 non-financial statement, Tesmec is re-evaluating the adoption of a Diversity, Equity & Inclusion policy in the light of developments in the geopolitical context, analysing the most effective ways to integrate the principles of diversity, equity and inclusion into its company strategies.

The objectives described were defined through a series of strategic meetings involving the Human Resources (HR) departments, Group Management, the Quality, Health, Safety and Environment (QHSE) team and the Sustainability department. These meetings have enabled different perspectives and skills to be brought together to develop a plan that was integrated with the company's objectives. The Group is committed to monitoring these through the preparation of analysis reports and regular meetings, in order to identify progress and any corrective solutions. To this end, methods and tools suitable for tracking on-the-job training are being evaluated, in order to ensure adequate integration with the reference metrics.

Health and safety

Material topic	Target	Actions	KPI/UoM	2024 Base year	2030 Target
Health and safety	Creating a safer working environment, reducing the number of injuries and the number of days lost from work	Dissemination of standardised operating procedures and instructions Promoting hazard reporting and injury management systems Ongoing and targeted training programmes	-	24.61	20

The Tesmec Group places the health and safety of its employees at the centre of its priorities, with the aim of creating an increasingly safer working environment and reducing the number of injuries to a minimum and the number of days lost from work. In order to monitor and improve its safety performance, Tesmec has developed a proprietary analysis algorithm based on the following indices:

- **Severity Index:** days lost from work/hours worked * 1,000
- **Frequency Index:** number of injuries/hours worked * 1,000,000

Using the INAIL data as a reference for the sector, Tesmec has defined an **All-Inclusive Index** that combines severity and frequency, multiplying the Severity Index by 40 and adding it to the Frequency Index. The INAIL reference threshold for this index is 40, based on the thresholds defined by INAIL itself for the individual indices.

Tesmec has set itself the challenging target of reducing its All-Inclusive Index to below 20 by 2030, halving the INAIL threshold. This target, based on scientific data and in line with the industry best practice, aims to:

- Reduce the negative impacts on the workforce
- Increase positive impacts, creating a safer and healthier working environment
- Proactively manage safety risks and opportunities

The **Tesmec Group** adopts a structured and integrated approach to ensuring the improvement of safety conditions in its working environments through the implementation of targeted strategies and concrete actions.

An essential element of this strategy is the dissemination of **standardised procedures and operating instructions** across all factories, in order to ensure consistency and clarity in safety practices. To this end, Tesmec develops and implements detailed procedures covering all aspects of safety, from the use of machinery and equipment to the management of risks specific to each production context. These documents are adapted to the specific characteristics of each factory and translated to ensure that all employees have access to clear and consistent information. Procedures are regularly reviewed to reflect regulatory developments, industry best practice and lessons learned from accidents. To facilitate the dissemination and updating of information, digital tools are used to ensure constant access to updated data.

To improve safety, Tesmec promotes the **implementation of hazard reporting and accident management systems**, with the aim of creating a corporate culture based on prevention. All employees are encouraged to report risk situations immediately, without fear of reprisal. Clear and accessible communication channels are provided for this purpose. Each report is subject to in-depth analysis to identify root causes and define the necessary corrective actions. A structured accident management system is also in place to collect and analyse accident data, identify trends and identify areas for improvement.

Occupational safety is further strengthened through **continuous and targeted training programmes** for all employees. Tesmec provides personalised training tailored to the specific risks of each role and operating environment. Learning is encouraged through the use of interactive methods, including simulations, practical exercises and group discussions. Training is provided on a regular basis to ensure that safety regulations, procedures and best practice are kept up to date. Particular attention is paid to the training of safety managers and workers involved in high-risk activities, through specific refresher courses.

To promote continuous improvement, Tesmec encourages the **sharing of best practice and lessons learnt** between the Group's various offices. To this end, a safety community of practice was set up to encourage collaboration and discussion between safety managers and employees from all operating units. Regular meetings, workshops and conferences are organised to promote the exchange of knowledge and experience. Every accident or injury is analysed in detail to identify the causes and possible corrective actions. The lessons learned are shared with all the Group's offices to prevent similar events from happening again and to further strengthen safety measures.

The process of setting Tesmec's safety objectives was developed with the active involvement of workers' representatives, through regular consultation, constant monitoring of performance and sharing of results, and analysis of accidents and identification of improvement actions.

The Tesmec Group has not currently set quantitative and time-based measurable targets in relation to "Equal treatment and opportunities for all" and "Other work-related rights" as it is committed to developing its sustainability process across all relevant impact areas. As part of this development, the Group will consider the opportunity of introducing specific targets for these aspects in the coming years, in line with its strategic development and the regulatory framework of reference.

Characteristics of the undertaking's employees

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-6

Employees

As at 31 December 2024, the Tesmec Group employed 990 people. The following workforce figures are calculated with reference to the number of 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 (94.8% of the total). It should be noted that Tesmec did not use any employees with flexible working hours (on-call or occasional employees) during the three-year period from 2022 to 2024.

As at the date of this document, the Group has not formalised an internal communication procedure for employees who do not identify as male or female. However, to date, we have not received any communications from employees stating that they do not identify with these genders or that they do not wish to disclose the gender with which they identify, regardless of their personal information and biological sex.

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 the following paragraphs and in chapter 3.1.2 risk and opportunity management/Policies related to own workforce specific to this document

For the most representative figure please refer to Chapter 3 Economic and financial results and Group performance.

Total number of employees **by gender/type of contract**	2024			2023			2022		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Italy	**112**	**512**	**624**	**110**	**515**	**625**	**96**	**479**	**575**
Permanent employees	108	505	613	106	504	610	95	474	569
Temporary employees	4	7	11	4	11	15	1	5	6
France	**17**	**106**	**123**	**19**	**117**	**136**	**16**	**122**	**138**
Permanent employees	17	105	122	17	115	132	15	121	136
Temporary employees	-	1	1	2	2	4	1	1	2
USA	**12**	**58**	**70**	**12**	**77**	**89**	**11**	**68**	**79**
Permanent employees	12	58	70	12	77	89	11	68	79
Temporary employees	-	-	-	-	-	-	-	-	-
Rest of the world	**22**	**151**	**173**	**19**	**157**	**176**	**21**	**152**	**173**
Permanent employees	17	117	134	18	131	149	17	107	124
Temporary employees	5	34	39	1	26	27	4	45	49
Total	**163**	**827**	**990**	**160**	**866**	**1,026**	**144**	**821**	**965**
Permanent employees	154	785	939	153	827	980	138	770	908
Temporary employees	9	42	51	7	39	46	6	51	57

In 2024, 97.7% were full-time employees, while 2.3% were on part-time contracts.

Total number of employees **by type of contract/gender**	2024			2023			2022		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Italy	**112**	**512**	**624**	**110**	**515**	**625**	**96**	**479**	**575**
Full-Time	98	508	606	98	509	607	84	474	558
Part-time	14	4	18	12	6	18	12	5	17
France	**17**	**106**	**123**	**19**	**117**	**136**	**16**	**122**	**138**
Full-Time	16	106	122	18	117	135	14	122	136
Part-time	1	-	1	1	-	1	2	-	2
USA	**12**	**58**	**70**	**12**	**77**	**89**	**11**	**68**	**79**
Full-Time	12	58	70	12	77	89	11	68	79
Part-time	-	-	-	-	-	-	-	-	-
Rest of the world	**22**	**151**	**173**	**19**	**157**	**176**	**21**	**152**	**173**
Full-Time	22	147	169	19	155	174	20	151	171

Part-time	-	4	4	-	2	2	1	1	2
Total	**163**	**827**	**990**	**160**	**866**	**1,026**	**144**	**821**	**965**
Full-Time	148	819	967	147	858	1,005	129	815	944
Part-time	15	8	23	13	8	21	15	6	21

Employee Turnover

During 2024, the Group's employment decreased by 3.6%, bringing the figure to 990 at the end of 2024. During the year, Tesmec worked to realign demand and supply of skills in the market, both to contain costs and meet market 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.

With reference to the negative employee turnover rate, down compared to last year (from 29.4% in 2023 to 21.3% in 2024), a higher rate was recorded in the under-30 age group (21.3%), considering the trend by age group during the year subject to reporting.

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		
	2024	**2023[2]**	**2022**	**2024**	**2023[2]**	**2022**
Age group						
<30	19.7%	51.9%	43.0%	21.3%	29.4%	30.0%
30-50	11.6%	20.4%	15.0%	13.7%	13.7%	15.0%
>50	3.8%	12.9%	10.0%	12.6%	17.9%	19.0%
Gender						
Man	11.0%	22.2%	18.0%	15.5%	16.7%	18.0%
Woman	12.5%	23.6%	26.0%	11.3%	12.5%	22.0%
Geographic area						
Italy	8.6%	18.3%	12.0%	8.8%	9.6%	9.0%
France	5.9%	11.6%	21.0%	15.4%	13.0%	24.0%
United States	7.9%	44.3%	22.0%	29.2%	31.6%	22.0%
Rest of the world	26.1%	34.7%	40.0%	28.4%	32.9%	46.0%
Total	**11.2%**	**22.4%**	**19.0%**	**14.8%**	**16.1%**	**19.0%**

[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 values relating to employee turnover were restated for 2023 following a refinement of these data to decimal level.

Specifically, the figures for new employee hires and turnover are broken down below in absolute terms for the years 2023 and 2024.

New employee hires:

	Italy			France			USA			Rest of the World		
Age group	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
<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**
<30	4	16	20	1	3	4	-	-	-	2	10	12
30-50	6	26	32	1	2	3	2	3	5	3	27	30

>50	-	2	**2**	-	1	1	1	1	2	-	4	4
Total 2024	**10**	**44**	**54**	**2**	**6**	**8**	**3**	**4**	**7**	**5**	**41**	**46**

Terminations:

	Italy			France			USA			Rest of the World		
Age group	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
<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 2022	**5**	**50**	**55**	**2**	**16**	**18**	**2**	**23**	**25**	**9**	**48**	**57**
<30	4	12	16	3	5	8	-	4	4	3	8	11
30-50	4	22	26	1	10	11	1	12	13	-	33	33
>50	-	**13**	**13**	-	2	2	2	7	9	-	6	6
Total 2023	**8**	**47**	**55**	**4**	**17**	**21**	**3**	**23**	**26**	**3**	**47**	**50**

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 2024, 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.

Characteristics of non-employees in the undertaking’s own workforce

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-7

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 2024, the number of workers who are not employees of the Group was 22, 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.

In 2024, there was a downward trend in the number of non-employees as the Tesmec Group decided to reorganise its structure for business purposes, favouring internal hiring to ensure greater stability and control.

The following workforce figures are calculated with reference to the number of non-employees at the end of each period (HC/Head Count).

Other workers	**2024**			**2023[1]**			**2022[1]**		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Outsourced workers	1	15	16	7	35	42	6	46	52
Trainees	-	1	1	2	2	4	1	2	3
Coordinated collaboration contracts	-	2	2	-	2	2	-	5	5

Other (Workers on temporary visas, contractors, self-employed workers, subcontractors)	-	4	4	-	6	6	-	4	4
Total at the end of the period/by gender	**1**	**22**	**23**	**9**	**45**	**54**	**7**	**57**	**64**

[1]The data relating to the "Coordinated and continued collaboration contracts" category were restated for 2022 and 2023 following an improvement in the Group's processes for collecting such data.

Collective bargaining coverage and social dialogue

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-8

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 applies 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. The French company is covered by the Convention Collective Nationale Travaux Publics.

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 2024 is 84.8%. In particular, in the European Economic Area (Italy and France), 100% of employees are covered by national collective labour agreements. In the other continents where the Group operates, the employees are covered as follows: Asia 50%, Africa 64.7%, Oceania 41.9%. There is no collective bargaining in America.

Social dialogue

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.

In the Tesmec Group, 52.1% of employees are covered by the workers' representatives. In particular, at Tesmec S.p.A., there is both a Single Trade Union Representation (RSU, Rappresentanze Sindacali Unitarie) and external trade unions (OO.SS., Organizzazioni Sindacali) with which regular meetings are held and second-level agreements are signed; at Groupe Marais SA, employees are represented by the Comité Social et Economique (CSE); and at Marais Cote d'Ivoire SARL there are no trade unions, but the workers are represented by the occupational safety and health inspectorate when necessary.
Compared to the European Economic Area, the coverage of employees is 100% in France and 62.2% in Italy.

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 2024 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.

There are currently no agreements with Group employees for representation by a European Works Council (EWC), a European Company Works Council (SE) or a Works Council of a European Cooperative Society (SCE).

Diversity metrics

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-9, ESRS S1 S1-17

The professional category most represented is that of blue collar workers (47.9% of the total), followed by white collar workers (42.9% of the total), middle managers (6.1% of the total), and managers (3.1% of the total).

Almost 84% 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.

Nevertheless, in carrying out its activities, the Tesmec 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.

60.9% of the Group's employees belong to the age group between 30 and 50 years, 24.4% of employees are over 50 years of age and 14.6% of employees are under 30 years of age.

Employee diversity		**2024**			**2023**			**2022**	
Employees by category/gender	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Managers	4	27	**31**	3	25	28	3	24	27
Middle managers	11	49	**60**	10	49	59	10	48	58
White collar	128	297	**425**	130	299	429	116	293	409
Blue collar workers	20	454	**474**	17	493	510	15	456	471
Total	**163**	**827**	**990**	**160**	**866**	**1,026**	**144**	**821**	**965**
Employees by category/gender %	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Managers	0.4%	2.7%	**3.1%**	0.3%	2.4%	**2.7%**	0.3%	2.5%	**2.8%**
Middle managers	1.1%	4.9%	**6.1%**	1.0%	4.8%	**5.8%**	1.0%	5.0%	**6.0%**
White collar	12.9%	30.0%	**42.9%**	12.7%	29.1%	**41.8%**	12.0%	30.4%	**42.4%**
Blue collar workers	2.0%	45.9%	**47.9%**	1.7%	48.1%	**49.7%**	1.6%	47.3%	**48.8%**
Total	**16.5%**	**83.5%**	**100.0%**	**15.6%**	**84.4%**	**100.0%**	**14.9%**	**85.1%**	**100.0%**

Employees by age group/gender[1]	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Up to 29 years	31	114	**145**	37	146	**183**	29	131	**160**
From 30 to 50 years	96	507	**603**	91	514	**605**	80	445	**525**
Over 50 years	36	206	**242**	32	206	**238**	24	177	**201**
Total	**163**	**827**	**990**	**160**	**866**	**1,026**	**133**	**753**	**886**
Employees by age group/gender %	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Up to 29 years	3.1%	11.5%	**14.6%**	3.6%	14.2%	**17.8%**	3.3%	14.8%	**18.1%**

From 30 to 50 years	9.7%	51.2%	**60.9%**	8.9%	50.1%	**59.0%**	9.0%	50.2%	**59.3%**
Over 50 years	3.6%	20.8%	**24.4%**	3.1%	20.1%	**23.2%**	2.7%	20.0%	**22.7%**
Total	**16.5%**	**83.5%**	**100.0%**	**15.6%**	**84.4%**	**100.0%**	**15.0%**	**85.0%**	**100.0%**

[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.

Employee diversity[1]	**2024**				**2023**				**2022**			
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	-	17	14	**31**	-	14	14	28	-	16	8	24
Middle managers	-	32	28	**60**	-	35	24	59	-	32	22	54
White collar	78	276	71	**425**	96	267	66	429	80	255	51	386
Blue collar workers	67	278	129	**474**	87	289	134	510	80	222	120	422
Total	**145**	**603**	**242**	**990**	**183**	**605**	**238**	**1.026**	**160**	**525**	**201**	**886**
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	-%	1.7%	1.4%	**3.1%**	-%	1.4%	1.4%	**2.7%**	-%	1.8%	0.9%	**2.7%**
Middle managers	-%	3.2%	2.8%	**6.1%**	-%	3.4%	2.3%	**5.8%**	-%	3.6%	2.5%	**6.1%**
White collar	7.9%	27.9%	7.2%	**42.9%**	9.4%	26.0%	6.4%	**41.8%**	9.0%	28.8%	5.8%	**43.6%**
Blue collar workers	6.8%	28.1%	13.0%	**47.9%**	8.5%	28.2%	13.1%	**49.7%**	9.0%	25.1%	13.5%	**47.6%**
Total	**14.6%**	**60.9%**	**24.4%**	**100.0%**	**17.8%**	**59.0%**	**23.2%**	**100.0%**	**18.1%**	**59.3%**	**22.7%**	**100.0%**

[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.

In 2024, as in previous years, there were no cases of discrimination.

Social protection

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-11

The companies of the Tesmec Group adopt social security and welfare systems for their employees in line with the regulatory framework of each country in which they operate, as set out below.

Tesmec S.p.A. **Tesmec Rail S.r.l.** **Tesmec Automation S.r.l.** **East Trencher S.r.l.**	As required by law, all employees of the Italian premises of the Tesmec Group are covered by social security institutions against events that could result in a loss of income. In particular, the INPS social security organisation covers employees in the event of disease, parental leave and retirement. INAIL, a non-economic public body, provides insurance for work-related injuries and acquired disability. In addition to the public services, Tesmec has taken out insurance policies for all its Italian employees that go beyond the mandatory policies.
Groupe Marais SAS	Under the French law, employees are entitled to five weeks of paid leave per year. In the specific case of Groupe Marais, holidays are not accrued on a

	monthly basis, but are paid directly by the company into a government fund which pays the employee directly in the event of a request for paid leave. French employees are also entitled to special leave for disease, maternity, paternity, bereavement and marriage, in accordance with French legislation and the various competent authorities (e.g. Sécurité Sociale, Caisse d'Allocations Familiales, etc.). The Pôle Emploi, on the other hand, deals with unemployment insurance and provides support to the unemployed, including unemployment benefits and retraining programmes.
Tesmec USA Inc.	Tesmec USA provides coverage in the event of temporary or permanent disability. Unemployment benefits are provided by the state. Employees are entitled to 12 weeks of unpaid family/medical leave under the Family and Medical Leave Act.
Marais Laying New Zealand	The employees of Marais Laying New Zealand are covered by the Ministry of Social Development of the New Zealand government in the event of unemployment. As in the Australian company, if leave is needed to care for a close relative, the employee is entitled to paid leave until the accumulated leave is used up. The Inland Revenue (IR) is responsible for paying maternity and paternity leave. The Accident Compensation Corporation (ACC), a government-sponsored body, guarantees coverage for employees in the event of work-related injuries.
Tesmec SA (Pty) LTD	At Tesmec SA, employees are covered by the "Basic Conditions of Employment Act", which guarantees minimum conditions to be applied to all employees.
Tesmec Australia (Pty) Ltd.	Employees of Tesmec Australia are covered for unemployment by "Services Australia", an organisation that also covers employees on parental leave for the birth of a child. If leave is needed to care for a close relative, the employee is entitled to paid leave until the accumulated leave is used up. The "Workers Compensation" entity covers employees in the event of work-related injuries.
OOO Tesmec RUS	The employees of Tesmec Russia are covered by the following government organisations: • Pension Fund of the Russian Federation (PFR): Manages old-age, disability and survivors' pensions, and provides other benefits such as social pensions and maternity capital; • Social Insurance Fund of the Russian Federation (FSS): Provides benefits for disease, maternity, work-related injuries and occupational diseases; • Federal Compulsory Health Insurance Fund (FFOMS): Administers mandatory health insurance, ensuring access to basic and specialist medical care; • Employment Centre: Provides support to the unemployed, including unemployment benefits and retraining programmes. These bodies operate under the supervision of the Ministry of Health and the Ministry of Labour and Social Protection, which are responsible for formulating social policies and adopting regulations on health, labour and social protection.
Tesmec New Technology Ltd.	At Tesmec New Technology, each employee has 5 insurance policies (health, unemployment, work-related injuries, maternity, pension) and a real estate fund. Chinese law requires the employer to contribute a percentage that the employee can reserve for special initiatives, such as renovating or buying a property or paying off a mortgage.

The remaining companies located in Saudi Arabia, Qatar, Guinea, Ivory Coast and Algeria guarantee protection against the above events in strict accordance with the laws of the countries in which they operate.

Persons with disabilities

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-12

The percentage of employees with disabilities of the Tesmec Group is shown below. There are no legal restrictions on the collection of data in any of the countries in which the Group operates.

The Italian companies of the Tesmec Group comply with the requirements of Italian Law no. 68/1999, and data on employees with disabilities is provided to the relevant Province. In the case of tenders, the Province itself issues declarations in this regard.

	2024			2023			2022		
	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
% Employees with disabilities/Total employees	-	2.3%	**2.1%**	1.9%	1.8%	1.9%	2.1%	1.7%	1.8%

Training metrics and skills development

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-13

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. For 2024, the Tesmec Group has prioritised on-the-job training, which is not tracked in the reporting systems. Some training is also provided on a regular basis, rather than being repeated every year or given to the same people, to ensure that all personnel can be adequately trained according to the needs of the business.

Average hours of training per employee[1]	2024			2023[2]			2022[2]		
	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Managers	3.0	4.7	**4.5**	1.6	3.1	3.0	2.0	14.0	12.7
Middle managers	2.5	4.5	**4.1**	4.3	5.1	5.0	4.4	6.2	5.9
White collar	6.6	10.3	**9.2**	12.0	9.9	10.5	13.8	5.4	7.8
Blue collar workers	3.0	6.6	**6.4**	8.4	7.6	7.6	3.0	8.9	8.7
Total	**5.8**	**7.6**	**7.4**	**10.9**	**8.1**	**8.6**	**11.8**	**7.6**	**8.2**

[1]It should be noted that the training hours of 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.
[2] 2022 and 2023 values for average hours of employee training following a decimal level refinement of this data.

The Tesmec Group also provides training to non-employees of the Group. In particular, an average of 6.7 hours of training was provided to each worker in 2024. These are not limited to compulsory safety courses, but also include training on rules and regulations, technical training and courses to obtain a driving licence.

In the absence of a structured training plan for each company function, each Manager identifies the training needs (hard skills and soft skills) for his/her 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 2024 on the basis of the following macro-areas:
- IT: digital/ICT
- Language area
- Relationship and personal development
- Development of technical and technological skills related to the role/task
- Functional safety certification courses

As a result of the analysis carried out, a 2024 Training Plan was drawn up and approved by HR Director 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. In 2024, the round-table discussions continued and a new topic was added: the System and Software Development Lifecycle.

In 2024, Tesmec continued its commitment to providing 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.

Health and safety training in Italy 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.

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 2024, 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.

Performance reviews

Periodic performance reviews are organised within the Group for Tesmec S.p.A., Tesmec Automation S.r.l. and Tesmec Rail S.r.l. The performance review is divided into two types of assessments: the Professionalism Assessments, regulated by the supplementary agreement of 30 July 2021 for Tesmec SpA and also applied to Tesmec Rail, Tesmec Automation and East Trenchers; and the MBOs (Management By Objectives), which assess the achievement of objectives previously defined and agreed with the company.
In order to enable the employee to pursue the defined objectives, the assessment is carried out on an annual basis. It should be noted that the reviews agreed by management are in line with the assessments made.

In particular, 50.6% of the Group's total workforce was assessed (54.0% of women and 49.9% of men), of which 35.5% were managers, 21.7% middle managers, 62.8% white collar and 44.3% blue collar.

Employees who received regular performance reviews	**2024**			**2023**			**2022**		
	Female	Male	**Total**	Female	Male	**Total**	Female	Male	**Total**
Managers	50.0%	33.3%	35.5%	66.7%	48.0%	50.0%	-%	33.3%	29.6%
Middle managers	9.1%	24.5%	21.7%	10.0%	14.3%	13.6%	20.0%	20.8%	20.7%
White collar	59.4%	64.3%	62.8%	40.8%	37.8%	38.7%	57.8%	59.4%	58.9%
Blue collar workers	45.0%	44.3%	44.3%	41.2%	28.6%	29.0%	53.3%	39.7%	40.1%
Employees assessed/by gender (%)	54.0%	49.9%	50.6%	39.4%	31.5%	32.7%	53.5%	45.4%	46.6%

Health and safety metrics

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-14

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 main Italian companies and the subsidiary Marais Laying New Zealand have certified Management Systems according to ISO 45001:2018. Tesmec USA Inc. has a System verified by OSHCON (Occupational Safety and Health Consultation Program) in accordance with OSHA (Occupational Safety and Health Administration) requirements. Although the other companies in the Group do not have certified management systems, they do have formalised internal procedures that guarantee the protection of the health and safety of their workers. Some basic HSE requirements are also defined by the parent company through procedures called TESMEC STANDARD and disseminated to all the Companies involved. The number of employees covered by health and safety management systems therefore represents 72.2% of the Group.

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.

Overall, 2024 confirms a stable trend in the number and severity of injuries recorded in previous years. There were 21 injuries to employees, 5 of which occurred in Italy, 5 in New Zealand and 11 in France. An accident while travelling to/from work was also recorded in New Zealand. No accidents involving non-employees were recorded.

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 calculation of the hours worked, where the data was not available, estimates have been used.

Work-related injuries - employees	Units	2024	2023	2022[1]
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		-	1	2
Other accidents		21	22[2]	20
Accidents while travelling to/from work		1	1	-
Total accidents recorded		**22**	**24**	**22**
Total hours worked	h	1,787,140	1,854,505[3]	1,622,888[3]
Days of absence due to injuries	No.	587	693	685
Injury rate				
Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)				
Work-related fatalities		-	-	-
Serious accidents		-	0.54	1.23
Other accidents		11.75	11.86	12.32
Total accidents recorded		12.31	12.94	13.56

Injury Severity Index (days without injuries/hours worked * 1,000) Average number of days lost due to injury per 1,000 days worked	0.33	0.37	0.42

[1] 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.
[2] The number of other accidents for 2023 has been restated following a data check.
[3] The hours worked for the years 2022 and 2023 were restated following an improvement in the data collection processes of Tesmec New Technology and Tesmec Saudi Arabia.

Injuries to non-employees of the Group are also reported below.

Work-related injuries - other workers	Units	2024	2023	2022
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	-	7
Accidents while travelling to/from work		-	-	-
Total accidents recorded		**-**	**-**	**7**
Total hours worked	h	51,282	95,605[1]	82,227
Days of absence due to injuries	No.	-	-	111
Injury rate				
Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)				
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	-	85.13
Injury Severity Index (days without injuries/hours worked * 1,000) Average number of days lost due to injury per 1,000 days worked		-	-	1.35

[1] The hours worked for 2023 were restated following an improvement in the data collection processes of Tesmec Saudi Arabia.

It should be noted that there were no injuries or fatalities involving external workers on company premises.

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. 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.

In 2024, the 4 occupational musculoskeletal diseases recorded at the French subsidiary Groupe Marais were confirmed, resulting in 445 days of absence. On the other hand, no occupational diseases were recorded among non-employees.

Work-life balance metrics

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-15

86.9% of the Group's employees (89% of female employees and 86.5% of male employees) are entitled to family leave in accordance with specific national regulations. Maternity leave, paternity leave, parental leave and carer's leave were considered.

The table below shows the data on employees who took family leave. In 2024, 61 employees took advantage of this leave, of whom 14 were women and 47 were men.

Family leave (HC)	**2024**		
	Female	Male	**Total**
No. of employees entitled to family leave/by gender	145	715	**860**
No. of employees who took family leave/by gender	14	47	**61**
Percentage of employees who took family leave out of those entitled to it	**9.7%**	**6.6%**	**7.1%**
Percentage of employees who are entitled to family leave out of the total number of employees	**8.6%**	**5.7%**	**6.2%**

Adequate wages and remuneration

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-10, ESRS S1 S1-16

Adequate wages
The Tesmec Group ensures that all remuneration complies with the provisions of the applied National Collective Labour Agreement (CCNL), thus guaranteeing compliance with current regulations and the protection of workers' rights. Even in countries where collective agreements are not applied, the Tesmec Group is committed to respecting and guaranteeing decent wages for its employees, following the guidelines established by local laws on remuneration. This commitment reflects the Group's desire to promote fair and sustainable working conditions, ensuring that each employee receives a fair remuneration that reflects the value of their contribution and allows them to live in dignity.

Annual total compensation ratio
In 2024, 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 13.18. Compared to 2023, there was no significant changes in the remuneration of the highest-paid individual and thus no change in the ratio to the median of all employees.

Gender pay gap
For the first year, the Tesmec Group reported the gender pay gap, which showed a difference of 3.1% in the average remuneration between male and female employees. This gap is due to a number of factors, such as seniority and the specific roles and responsibilities of certain categories of workers.

The gender pay gap is calculated by comparing the average gross hourly remuneration of men and women, expressed as a percentage of the average male remuneration, including all employees present at the end of the year. Gross remuneration is calculated by adding up all remuneration paid in 2024, including basic salary and additional components such as bonuses, benefits and other fringe benefits. The total amount was then divided by the total number of hours worked to give a fair and representative comparison of the pay differences.

Gender pay gap (%)	2024
Gender pay gap	3.1%

Pay gap by professional category	2024
Managers	31.5%
Middle managers	4.9%
White collar	18.8%
Blue collar workers	10.3%

4.3.2 Workers in the value chain

Topic	Sub-topic	Sub-sub-topic
S2 Workers in the value chain	Working conditions	Secure employment Working time Adequate wages Work-life balance Health and safety
	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value Employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity Training and skills development
	Other work-related rights	Child labour Forced labour

4.3.2.1 Strategy

Interests and views of stakeholders

ESRS Standards	ESRS 2 SBM-2

As a multinational Group with suppliers and customers all over the world, the Tesmec Group is aware that its responsibility towards its workers extends beyond its own activities. Tesmec recognises the importance of understanding and addressing the interests of workers in the value chain and ensuring that their human rights are respected. To this end, the Group has adopted a new Supplier Code of Ethics since 2023, which sets out requirements on labour standards and human rights. The Group also carries out audits of its strategic suppliers to verify compliance with the required social standards.

At present, the Tesmec Group does not have a direct channel for gathering the general views and interests of workers along the value chain, but they can still report concerns, complaints or non-compliance through the Whistle-blowing Portal on the Group website (section "IR/Governance/Model 231/Whistle-blowing").

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS Standards	ESRS 2 SBM-3

Impacts	
Working conditions	Direct positive impacts along the value chain related to the protection and empowerment of workers, with particular attention to their health and safety, adequate working time and wages, and work-life balance.
Equal treatment and opportunities for all	Direct positive impacts along the value chain related to the protection and empowerment of workers, with particular attention to their training and professional growth, episodes of discrimination and equal opportunities (remuneration, disability and diversity)
Other work-related rights	Direct positive impacts along the value chain related to the protection of workers, focusing on topics such as forced labour and child labour

Risks/Opportunities	
Working conditions	Risk of increased in accidents and/or injuries to workers along the value chain, operational upstream and reputational downstream.
Equal treatment and opportunities for all	Reputational risks arising from incidents of discrimination among workers in the value chain due to inadequate measures and protocols for the protection of diversity and equal opportunities.
Other work-related rights	Reputational and operational risks due to incidents of child and/or forced labour among workers along the value chain, upstream and downstream.

In order to analyse and assess potentially material topics for the Tesmec Group as part of the workers of the value chain, the topics outlined in ESRS 1 General Requirements, such as Working Conditions, Equal treatment and opportunities for all and Other work-related rights, were taken into consideration. The Tesmec Group identified and assessed the impacts and risks arising from its strategy, business model and relations with the various players in the value chain. In particular, the analysis considered the conditions of the workers employed by the suppliers and customers of the Tesmec Group.

The working conditions of the workers in the value chain can be the scene of violations of human and workers' rights. These violations take many forms, including poor occupational safety, excessive working hours, inadequate pay, lack of work-life balance, and the use of child and forced labour. A non-inclusive working environment and a lack of respect for diversity and equal opportunities can also lead to discrimination and inappropriate behaviour, just as a lack of training for workers can limit their opportunities for personal and professional development.

The impact on workers in the value chain is closely linked to the business strategy and model; indeed, human capital, both direct and indirect, is recognised as a fundamental element of the company's business. The awareness of its role in this value chain pushes the Group to strengthen its monitoring practices, especially among its suppliers. Addressing these impacts not only improves working conditions along the value chain, but also strengthens the Group's reputation by promoting a concrete commitment to respecting human rights and enhancing human resources.

Tesmec Group has also identified a number of significant risks arising from the impact and dependency relating to workers in the value chain. The main risks are related to the well-being of employees and their working conditions, the possible occurrence of serious accidents and injuries among the personnel of partner companies, and possible episodes of discrimination, exploitation, child labour and forced labour. These risks can lead to a reduction in operations, resulting in economic loss, albeit limited, to the Group, including disputes and can also affect the company's reputation.

Tesmec Group is aware that in some of the countries in which its companies operate there may be risks related to forced, child and/or compulsory labour due to factors such as poverty, limited access to education and the absence of an adequate and effective regulatory framework. These risks are mostly related to unskilled labour.

The Group reaffirms its commitment to firmly oppose any form of labour exploitation and guarantees that such practices are categorically prohibited in all circumstances and in all business entities. To this end, Tesmec actively promotes the principles of ethics and social responsibility through the dissemination of its Code of Ethics and Human Rights Policy, ensuring respect for the fundamental rights of workers in all operational contexts.

At present, no opportunities have been identified for workers along the value chain.

The analysis carried out did not show any significant differences in the exposure to risks among workers with specific characteristics, in specific contexts or activities. The impacts and risks identified are common to the suppliers and customers of the Tesmec Group.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.4.1 Materiality analysis (materiality assessment). Consultations with employees and investors were carried out using the survey described in the same paragraph.

4.3.2.2 Impact, risk and opportunity management

Policies related to value chain workers

ESRS Standards	ESRS 2 MDR-P, ESRS S2 S2-1

The Tesmec Group pays a great deal of attention to the workers in its value chain, and for this reason it has drawn up and/or extended a number of policies to sanction the principles that customers and suppliers must respect in order to maintain the collaboration relationship. In particular, these two players are mentioned in the Code of Ethics, the Supplier Code of Ethics and the Human Rights Policy.

The Tesmec Group adopts policies with regard to value chain workers in compliance with internationally recognised instruments on human rights and working conditions. In particular, the Human Rights Policy is in line with the founding principles of international and European conventions and declarations, including the United Nations (UN) International Bill of Human Rights, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization (ILO).

At the date of this report, there were no cases of non-compliance with the United Nations Guiding Principles, the ILO Declaration or the OECD Guidelines concerning workers in the value chain, either upstream or downstream of the production process.

The highest level of management in the organisation of the company that is responsible for implementing the policy is the Chief Executive Officer in collaboration with the Business Unit Directors.

The policies adopted are available on the Group's website.

Code of Ethics

The Group's Code of Ethics applies to a wide range of people, including suppliers and customers. Compliance with the rules of the Code is an essential part of the contractual obligations of all parties involved in relations with Tesmec, pursuant to and in accordance with applicable laws.

The Code of Ethics addresses the elimination of all forms of discrimination, whether based on age, gender, nationality, sexuality, health, marital status, race, political opinions, religious beliefs or anything other reason. All forms of forced, irregular and exploitative child labour are rejected and health, safety and hygiene are guaranteed. The Code also requires that workers receive adequate training to make them aware of the risks related to their work.

Supplier Code of Ethics

Tesmec selects its suppliers not only on the basis of quality standards and competitiveness, but also on their compliance with ethical values and socio-environmental performance. To this end, Tesmec requires its suppliers to share and comply with the principles and values of sustainability set out in the Supplier Code of Ethics.

By signing the Supplier Code of Ethics, the Tesmec Group suppliers undertake to respect the fundamental rights of their employees, such as respect for equal opportunities, respect for the personal dignity and rights of each individual, guarantee of the compulsory national minimum wage in force, respect for the working hours established by applicable regulations, right of freedom of association of employees, prohibition of child labour, prohibition of the use of narcotic substances and the consumption of alcohol during working hours, prohibition of child labour and/or forced labour.

Suppliers also undertake to comply with the legal requirements relating to occupational health and safety in the local context in which they operate, to disseminate and consolidate a culture of safety by developing risk awareness, promoting responsible behaviour by all employees and endeavouring to maintain the health and safety of personnel, through preventive measures in particular.

The Suppliers undertake to share these principles with their employees, affiliates, collaborators and subcontractors in order to make a valuable contribution to the dissemination and practical implementation of the Code. Suppliers are responsible for monitoring compliance with the Supplier Code of Ethics both internally and within the supply chain and for informing Tesmec of any critical issues.

Tesmec has adopted a whistle-blowing system for reporting offences to the Supervisory Body, which is an ethical safeguard put in place to maintain a high level of attention to the behaviour of both employees and those who work with the Group. Suppliers are required to immediately report any alleged or actual violation of the law, the Supplier Code of Ethics, the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 or any contractual agreement with the Tesmec Group. This includes violations committed by any employee, consultant, partner, agent or other representative acting in the name and/or on behalf of the Supplier or Tesmec.

Human rights policy

The same principles set out in the Supplier Code of Ethics are also referred to and strengthened by the Human Rights Policy. The Tesmec Group's Human Rights Policy defines the fundamental principles, rules of behaviour and commitments regarding human rights that Tesmec recognises and respects and with which all the Group's stakeholders are required to comply, with the aim of preventing, managing and, where possible, reducing the impact of inappropriate management.
For more information on the Human Rights Policy, please refer to paragraph 3.1.2 Impact, risk and opportunity management/Policies related to own workforce.

Processes for engaging with value chain workers about impacts

ESRS Standards	ESRS S2 S2-2

At present, the Tesmec Group does not have a structured and systematic process for the direct involvement of workers in the value chain in relation to impacts. However, in line with its commitment to responsible and sustainable management of the value chain, the Group will consider the possibility of developing and implementing more structured engagement mechanisms in the coming years in order to strengthen the monitoring of working conditions throughout the entire production cycle and ensure greater alignment with international reference standards.

Processes to remediate negative impacts and channels for value chain workers to raise concerns

ESRS Standards	ESRS S2 S2-3

The Tesmec Group, also for the workers in the value chain, activated the whistle-blowing channel, which allows to report cases of possible violations, i.e. behaviour, acts and omissions that constitute relevant illegal conduct pursuant to Italian Legislative Decree no. 231/01, violations of the Code of Ethics or internal regulations or that in any case that may damage or cause prejudice, even if only to the image, of Tesmec. Reports can be made through written or oral channels that are made available to personnel.

To facilitate access to the system, the whistle-blowing procedure is available directly on the Group's website. A dedicated telephone service is available in addition to the digital channel.

The Group has a strict whistle-blower protection policy. Any retaliatory or discriminatory behaviour towards them, as well as any shortcomings in the verification and analysis of reports by the governing bodies or persons acting on behalf of the Group companies, will be subject to sanctions in accordance with the adopted disciplinary system.

Taking action on workers in the value chain

ESRS Standards	ESRS 2 MDR-A, ESRS S2 S2-4

The Tesmec Group pays particular attention not only to the quality of its products, but also to the people who use them and the environment in which they are used, implementing a complete range of services that ensure safety, optimal performance and reduced operating costs.

With the aim of supporting customers and reducing the risk of accidents and/or injury to operators using Tesmec equipment on site, the Group has a team of experts with worldwide knowledge who offer their expertise through specialised courses tailored to different levels of knowledge and the type of objective a customer wishes to achieve.

Introductory training courses are designed to include both field and on-the-job testing. Tesmec engineers and technicians are always available to assist with the commissioning and operation of the equipment.

The aim of the Tesmec Training Programme is to enable machine users and site managers to take full advantage of the correct use of Tesmec equipment.

Tesmec is particularly sensitive to the protection of local personnel operating the Group's machines in certain geographical areas such as Africa (Tunisia, West Africa and South Africa), where the risks of discrimination and human rights violations are generally higher. Tesmec is committed to the training and development of its operators to enable them to grow professionally and to ensure decent working conditions.
In this context, structured actions are being considered to create dedicated academies, particularly in the trencher and surface miner segments.

These actions are in line with SDGs 4 and 8.

With reference to the workers of the Group's suppliers, the commitment is made explicit in the increasingly widespread sharing of the Supplier Code of Ethics and the relevant principles against forced labour, child labour or any form of exploitation and discrimination.

No serious human rights issues or incidents were reported in relation to its upstream or downstream value chain.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above.

4.3.2.3 Targets

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS Standards	ESRS 2 MDR-T, ESRS S2 S2-5

The Tesmec Group has not currently set quantitative and time-based measurable targets in relation to the "Workers in the value chain" topic as it is committed to developing its sustainability process across all relevant impact areas. As part of this development, the Group will consider the opportunity of introducing specific targets for these aspects in the coming years, in line with its strategic development and the regulatory framework of reference.

4.3.3 Consumers and end-users

Topic	Sub-topic	Sub-sub-topic
S4 Consumers and end-users	Impacts related to information for consumers and/or end-users	Privacy
	Personal safety of consumers and/or end-users	Health and safety Security of a person

4.3.3.1 Strategy

Interests and views of stakeholders

ESRS Standards	ESRS 2 SBM-2

The main stakeholders of the Tesmec Group include internal and external figures, and each category of stakeholder represents unique needs and perspectives. The Group is committed to staying informed and responding to the opportunities and risks identified through dialogue with its stakeholders.

Customers also fall into these categories. The interests, views and rights of the customers of the Tesmec Group are fundamental in defining the strategy and business model. A continuous dialogue with them helps the Group to define its decisions and operations in areas such as the safety of its products sold, sustainability efforts and the operational efficiency of the solutions in its portfolio.

The Tesmec Group's stakeholder engagement can vary depending on the group to which they belong, and different formal and informal channels and methods are used to maintain dialogue. In particular, the Group's customers are involved through direct dialogue, support channels, dedicated events and communication campaigns on social media. By listening to the workers, the Group aims to better understand their expectations and needs.

Respect for human rights is a fundamental element of the strategic framework. Tesmec regularly considers whether its business activities create, aggravate or mitigate significant impacts on customers. Based on these considerations, it adapts its strategies to address the risks or challenges identified.

For more information on stakeholder engagement, please refer to paragraph 1.2.2 Stakeholders: interests and expectations.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS Standards	ESRS 2 SBM-3

Impacts	
Impacts related to information for consumers and/or end-users	Negative potential direct impacts on privacy rights (sensitive IT content) and IT system security (potential data breach)
Personal safety of consumers and/or end-users	Potential direct negative impacts related to the marketing and use of products if they do not meet customer requirements/specifications.

Risks/Opportunities	
Impacts related to information for consumers and/or end-users	Compromising the privacy of suppliers' or customers' personal data due to an unintentional error by internal personnel or as a result of a cyber/malware attack. Compromising the privacy, integrity and availability of strategic/confidential company information due to external and/or internal illegal acts. Compromising the privacy, integrity and availability of strategic/sensitive customer information

Personal safety of consumers and/or end-users	Risks arising from complex and specific customer requirements that make it difficult to maintain high quality and safety standards and increase internal costs. Operational and reputational risks arising from a failure to control product safety, thereby compromising the health and safety of consumers and end-users.
	Barrier to entry for potential competitors due to the Group's experience and extremely high quality standards

The consumer plays a key role in the Tesmec Group's business strategy. The Group analysed the material impacts, risks and opportunities affecting consumers and end-users, as well as their connection with the company's strategy and business model.

Tesmec adopts all the necessary practices to ensure the safety of the users of its products, such as improving quality, using quality components and reducing operational risks. When operating in countries with difficult working conditions, the Group aims to ensure that workers' rights are respected, including equal treatment, occupational safety and the prohibition of exploitation.

The Tesmec Group, which designs and markets integrated systems and solutions for the construction, maintenance and diagnostics of infrastructure for the transmission of electrical power and data and material transport as well as technologies for managing quarries and surface mines, pays great attention to the needs of its customers and to their health and safety when using the Group's products. A potential negative impact that has been identified is the possible marketing and use of products that do not meet customer requirements and/or specifications, or that may be unsafe for customers to use.

The analysis also identified another negative material impact related to possible cyber attacks, which, in the absence of adequate preventive measures, could result in the loss and violation of sensitive customer data and adversely impact it. Tesmec adopts all necessary practices to protect the personal data of its customers, demonstrating its commitment to the fundamental right to privacy.

The impact identified not only derives from the company strategy, but also guides future decisions, helping to improve safety measures and strengthen customer confidence in Tesmec.

In the current context, the relationship between the material risks and opportunities deriving from the impact and dependence in relation to consumers guides the Tesmec Group's decision-making and strategic process.

The Group identifies two significant risks and one significant opportunity that are closely related to the impacts described above. Firstly, there is the risk of the privacy of customers' personal data being compromised due to an inadvertent error by internal personnel or as a result of a cyber/malware attack, but also the risk of the privacy, integrity and availability of strategic/secret internal company and customer information being compromised due to external and/or internal illegal acts.
Moreover, on the one hand, there is an economic risk arising from more complex and specific customer requirements, including the safety of marketed products, that make it difficult to maintain high quality and safety standards and increase internal costs. On the other hand, there is a great opportunity related to the creation of a barrier to entry for potential competitors due to the experience and quality of the Tesmec Group.

The identified impacts, risks and opportunities are shared with all the Group's customers and end-users. It should be noted that no significant risks arising from the impact and dependence in relation to consumers and/or end users, linked to specific groups of consumers and/or end-users, were identified.
No material impacts deriving from particular characteristics of consumers and/or end-users were identified. In particular, there was no evidence of a significant impact on consumers and/or end-users who may be more vulnerable to exploitative commercial or sales practices. Similarly, no material impacts were found in terms of systematic discrimination in access to specific services or in the marketing of certain products.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.4.1 Materiality analysis (materiality assessment). Consultations with employees and investors were carried out using the survey described in the same paragraph.

4.3.3.2 Impact, risk and opportunity management

Policies related to the personal safety of consumers and/or end-users

ESRS Standards	ESRS 2 MDR-P, ESRS S4 S4-1

To ensure safe products and services for its consumers and end-users, the Tesmec Group has adopted various management systems, such as ISO 9001:2015, EN 15085-2 CL1, ECM and IEC 62443-4-1: 2018 ML2. 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 Silver Medal, placing it in the top 15% of companies assessed by EcoVadis in the Construction of locomotive and rail-tramway rolling stock sector.

Conformity with the Machinery Directive 2006/42/CE (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 2024 reporting period, as in the previous years 2023 and 2022, 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 no. 2006/42/EC).

EN 15085-2 CL1 - Welding of railway vehicles and related components

The EN 15085-2 CL1 standard, adopted by Tesmec Rail S.r.l., establishes the requirements for the design, manufacture and repair by welding of railway vehicles and their components, guaranteeing high quality and safety standards in the sector. The CL1 classification level is the highest in the standard and applies to manufacturers who produce or design welded components with safety-critical functions, such as load-bearing structures and highly stressed parts. EN 15085-2 CL1 certified companies demonstrate compliance with the strict requirements for welding management, including personnel qualification, process control and material traceability, thus contributing to the reliability and durability of railway infrastructure.

Entity in Charge of Maintenance (ECM)

Tesmec Rail holds the Certificate of Conformity as an Entity in Charge of Maintenance (ECM) for the '"works vehicles" category.

This certification attests to compliance with the regulatory requirements in force, guaranteeing the adoption of an effective maintenance management system that complies with the safety and reliability standards required in the rail segment.

IEC 62443-4-1: 2018 ML2 - Safety for industrial automation and control systems

The IEC 62443-4-1:2018 standard defines the requirements for the safe design of products intended for industrial automation and control systems (IACS). In particular, the ML2 (Maturity Level 2) level achieved by Tesmec Automation S.r.l. establishes that IT security processes are managed in a repeatable and documented manner, ensuring a systematic approach to vulnerability and risk management. Compliance with IEC 62443-4-1 ML2 helps to increase the resilience of industrial devices by reducing the risk of cyber attacks and improving the protection of critical infrastructure.

ISO 9001:2015 - Quality management system

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 Quality management systems of Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l. Tesmec USA and Inc. Marais Laying New Zealand are certified in accordance with the ISO 9001:2015 standard, 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.

The Tesmec Group is strongly committed to respecting the human rights of consumers and end-users, in accordance with the United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. The company's policy is to protect the rights of its customers and to guarantee the security, quality and transparency of information relating to the products and services offered.

To ensure that the human rights of consumers and end-users are respected, the Group applies strict compliance controls to all its products, with particular attention to safety, reliability and environmental impact. Compliance with international standards is monitored through certification processes and internal audits, ensuring that products comply with the regulations in force in the reference markets.

The engagement with consumers and end-users takes place through transparent communication channels, which allow us to collect feedback, reports and suggestions for the continuous improvement of the solutions offered. The Group also promotes awareness and information initiatives to ensure the conscious and responsible use of its products.

With regard to measures aimed at remedying impacts on human rights, the Group adopted procedures for handling consumer reports and complaints, ensuring a timely and effective response to any issues. Through the application of its Code of Ethics and Human Rights Policy, Tesmec is committed to the prevention and management of critical issues.

Policies related to the consumers and end-users privacy

ESRS Standards	ESRS 2 MDR-P, ESRS S4 S4-1

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 privacy.

With a global presence, directly and through its agents, and a complex company structure in different sectors, with over 900 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.

During the reporting period, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data.

Processes for engaging with consumers and end-users about impacts

ESRS Standards	ESRS S4 S4-2

Engaging with and listening to customers
Engaging with and listening to customers is a crucial aspect of ensuring that business decisions are designed to meet real market needs by minimising negative impacts and maximising opportunities.

Tesmec gathers the opinions and requirements of the users of its products and services in order to guide its technology development policy and continually improve its portfolio of solutions. This is done through direct experience in the field by meeting operators on construction sites where the Group's machinery is at work, questionnaires and customer support channels, dedicated events and by monitoring social media/websites and platforms to better understand customer perceptions and identify issues or opportunities.

By analysing the feedback received, Tesmec is able to optimise the design, safety and functionality of its products, for example in response to reports of defects or malfunctions. Moreover, in response to the market's growing sensitivity to environmental issues, the company is progressively moving its design and production towards more sustainable technologies.

The adoption of responsible practices, transparency in communication and constant study of market trends are strategic levers for increasing competitiveness and consolidating customer trust and loyalty, contributing to the creation of long-term value.

Participation in Events and Promotion of Sustainability
ESG topics and sustainable business strategies were at the forefront of the industry events attended by Tesmec in 2024. In support of the objective of developing and promoting "green & digital" technological solutions, 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 Group played a leading role at the Future Mineral Forum, an event dedicated to the creation of resilient and responsible mineral value chains held in Saudi Arabia from 10 to 11 January 2024, presenting its cutting-edge strategy in the field of "smart mining", an approach that focuses on innovative technologies for automation, electrification and digitalisation,
through solutions aimed at increasing productivity, improving reliability, reducing environmental impact and offering significant cost savings to the mining industry. During the FTTH Conference (19 – 21 March 2024 – Germany), Tesmec announced that the Group's new E-sidecut machine was selected for the Innovation Award, promoted by the Conference, in the "Installation Equipment, Tools, Test and Measurement Instruments" category. The fully electric E-sidecut fully embodies the Group's commitment to sustainability, in line with its ESG strategy.
Finally, at Intermat 2024, held in Paris from 24 to 27 April, which focused on the development of fibre optics in France, Europe and North Africa, strategic topics relating to energy transition and efficiency were discussed in depth, with the aim of initiating a process of decarbonisation.

The creation of a sustainable future was also a debating point at the biennial meeting organised by CIGRE in August 2024, where the world's leading companies, mainly in the field of energy transmission and distribution, discussed promoting the use of renewable resources. Electrification, digitalisation, automation and sustainability were the main focuses of the InnoTrans fair, the world's leading event for the rail industry, which brings together innovators and experts from the world of transport technology. Tesmec used the opportunity to showcase its portfolio of technologies for the rail infrastructure market, with particular emphasis on solutions with bimodal and electric engines and advanced diagnostic systems. 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 2024, the Group also cultivated relationships with its stakeholders through **dedicated meetings and new collaborations**. The Group hosted a number of round-table discussions at its offices, focusing on new technologies, renewable energy and the digitalisation of the network, with the aim of creating opportunities for discussion with partners and customers and actively promoting the energy transition.

Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

ESRS Standards	ESRS S4 S4-3

The Tesmec Group, also for consumers and end-users of its products, activated the whistle-blowing channel, which allows to report cases of possible violations, i.e. behaviour, acts and omissions that constitute relevant illegal conduct pursuant to Italian Legislative Decree no. 231/01, violations of the Code of Ethics or internal regulations or that in any case that may damage or cause prejudice, even if only to the image, of Tesmec. Reports can be made through written or oral channels that are made available to personnel.

To facilitate access to the system, the whistle-blowing procedure is available directly on the Group's website. A dedicated telephone service is available in addition to the digital channel.

The Group has a strict whistle-blower protection policy. Any retaliatory or discriminatory behaviour towards them, as well as any shortcomings in the verification and analysis of reports by the governing bodies or persons acting on behalf of the Group companies, will be subject to sanctions in accordance with the adopted disciplinary system.

Tesmec also pays attention to reports of product non-compliance from consumers and end-users. In the event that technical problems and/or non-conformities are reported, 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.

Taking action on consumers and end-users

ESRS Standards	ESRS 2 MDR-A, ESRS S4 S4-4

The Tesmec Group is committed to protecting the health and safety of the end-users of its equipment.

To this end, the Group implements a number of measures to ensure the safe and efficient use of its machinery and equipment. Particular attention is paid to design that complies with the highest safety standards, in full compliance with current regulations, including the Machinery Directive no. 2006/42/EC. Tesmec also promotes training and information initiatives for operators, providing detailed user manuals that illustrate the correct methods of use, precautions to be taken, maintenance procedures and instructions for dealing with any emergency situations.

The Group's training programmes are personalised according to the different levels of competence of the operators and cover not only the use of machinery and equipment, but also working methods aimed at optimising the efficiency, speed and quality of operations on site.

Finally, the technological support offered to customers is guaranteed by a team of specialised engineers and technicians who provide direct assistance and support operators on site, particularly during the machine start-up and introductory training phases, thus ensuring the correct and safe use of Tesmec equipment.

Necessary and appropriate actions are identified through continuous monitoring of product quality and safety, based on technical inspections, user reports and analysis of usage data. This allows any critical issues to be identified in a timely manner and appropriate corrective measures to be taken.

The protection of customer privacy is fundamental to Tesmec. Compliance with data protection regulations (EU Regulation no. 2016/679 on General Data Protection Regulation – GDPR) is combined with the implementation of cyber security measures and the guarantee of transparency in the use of personal information. For more information on the application of the General Data Protection Regulation, please refer to the chapter on Policies related to the consumers and end-users privacy.

At the date of this report, no serious human rights issues or incidents have been reported in relation to consumers and/or end-users of the solutions provided by the Tesmec Group. The company constantly monitors the safety and impact of its products, ensuring compliance with international standards and taking preventive measures to protect the rights and safety of end-users.

At the date of this Report, it is not possible to provide precise information on the expenses incurred in carrying out the activities described above.

4.3.3.3 Targets

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS Standards	ESRS 2 MDR-T, ESRS S4 S4-5

Material topic	Target	Actions	Target year
S4 Consumers and end-users	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	In continuity with the business

The Tesmec Group is committed to consumers and end-users by maintaining high quality standards in the solutions it provides. To this end, it plans to **invest in research and development** (R&D) aimed at innovation and improving the quality, conformity and safety of its products. Moreover, it also ensures the **availability of all the information required to use the proposed solutions correctly**. The time horizon for achieving this objective is set in continuity with the business, confirming the Group's constant commitment to excellence and the safety of its offer.

The Tesmec Group has not currently set quantitative and time-based measurable targets in relation to the "Impacts related to information for consumers and/or end users" and "Personal safety of consumers and/or end-users" topics as it is committed to developing its sustainability process across all relevant impact areas. As part of this development, the Group will consider the opportunity of introducing specific targets for these aspects in the coming years, in line with its strategic development and the regulatory framework of reference.

4.4 Governance topics

4.4.1 Business conduct

Topic	Sub-topic
G1 Business conduct	Corruption and bribery Management of relationships with suppliers including payment practices Protection of whistle-blowers

4.4.1.1 Governance

The role of the administrative, management and supervisory bodies

ESRS Standards	ESRS 2 GOV-1

Tesmec adopts a traditional management and control system. The Shareholders' Meeting is vested with the decisions on prime acts of management of the Company, in accordance with the Law and the Articles of Association. The Board of Directors is in charge of managing the business, grants operational powers to bodies and delegated subjects; The Board of Statutory Auditors monitors compliance with the Law and the Articles of Association and with the principles of correct administration. It also monitors the adequacy of the organisational structure, the internal control system and the Company's administrative-accounting system.

Within the Board of Directors, in compliance with the recommendations contained in the Self-Regulatory Code of Conduct adopted by the Corporate Governance Committee of the listed companies, a Control, Risk and Sustainability and Related Parties Transactions Committee and a Remuneration and Appointments Committee were set up.

For more details, please refer to chapter 1.3 Governance of Sustainability of the General Disclosure.

The Diversity Policy in relation to the composition of the administrative, management and supervisory bodies of Tesmec S.p.A. allows the identification of criteria for a qualitative and quantitative composition of the corporate bodies functional to the effective fulfilment of the tasks and responsibilities entrusted to them, also through the presence of people who ensure a sufficient diversity of points of view and skills necessary for a good understanding of the current affairs, risks and long-term opportunities related to the company's business.

For more details on the skills of the administrative, management and supervisory bodies in matters relating to business conduct, please refer to the Corporate Governance Report.

4.4.1.2 Impact, risk and opportunity management

Description of the processes to identify and assess material impacts, risks and opportunities

ESRS Standards	ESRS 2 IRO-1

Impacts	
Corruption and bribery	Direct negative potential impacts on the reputation and continuity of the Tesmec Group as a result of a behaviour by the Group that does not meet the criteria of ethics and integrity.
Management of relationships with suppliers including payment practices	Potential negative social and environmental impacts in the supply chain due to poor management by suppliers of their workforce and emissions, pollution or materials used.
Protection of whistle-blowers	Impact in terms of potential negative consequences of not protecting whistle-blowers who use the whistle-blowing channels.

Risks/Opportunities	
Corruption and bribery	Risk related to anti-competitive behaviour, antitrust and monopolistic practices by the Group (legal-reputational). Risks related to corruption in highly corrupt markets, such as the Middle East and Africa, in which the Group operates. These risks include regulatory violations, legal impacts and reputational damage, with potential operational difficulties in environments characterised by non-compliant practices. Risks, especially in the Middle East and Africa, due to a lack of knowledge of local practices, rules and regulations (legal - tax - compliance). Risks related to adapting to possible changes in the legislative/regulatory framework in the countries in which the Group operates (legal).
Management of relationships with suppliers including payment practices	Operational risk related to the lack of continuity and unavailability of a critical/strategic supplier and the resulting business interruption, even if only partial. Delayed/failed delivery by Tesmec Group due to supplier related responsibilities. Operational risk related to the import of components and export of finished products from/to countries subject to restrictions/sanctions due to the international geopolitical situation, with consequent economic impact on the Group.
Protection of whistle-blowers	Reputational risk due to the failure to protect stakeholders who use whistle-blowing channels.

The analysis of double materiality in relation to the ESRS G1 Business Conduct topic identified significant impacts and risks for the Tesmec Group.

The Tesmec Group identified a potential negative impact resulting from a behaviour that does not comply with ethics and integrity criteria, mitigated by the numerous policies and checks that the Group has put in place. The risk of bribery and corruption could result in economic sanctions, operating restrictions, loss of business opportunities and reputational damage, with a direct impact on the Group's financial stability. Operating in countries with different rules and regulations could expose the Group to legal risks, particularly in markets with high levels of corruption, as well as tax and regulatory compliance issues arising from a lack of in-depth knowledge of local practices and regulations. These critical concerns could undermine customer and investor confidence and negatively impact the competitiveness and sustainability of the business.

In terms of managing relationships with suppliers, the Tesmec Group is committed to adopting correct and timely payment practices, ensuring the operational continuity of its trading partners and contributing to the overall stability of the supply chain. Great attention is also paid to the selection, qualification, management and monitoring of suppliers to avoid potential negative environmental and social impacts. Another risk identified concerns the unavailability of strategic suppliers or delays and non-deliveries of products for reasons attributable to them, with possible interruptions, partial or otherwise, to company business.

Finally, in relation to the management of reports from whistle-blowers using the Tesmec Group's reporting channels, both a potential negative impact on these individuals should the Group fail to provide adequate protection and a reputational and economic risk arising from any critical concerns in the management of these reports have been identified.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter 1.2.3 Material, risks and opportunities and their interaction with strategy and business model.

For further details on the location, activities, operating sectors and structure of the Group, please refer to the General Information.

Corporate culture and business conduct policies

ESRS Standards	ESRS 2 MDR-P, ESRS G1 G1-1

The Tesmec Group is committed to ensuring the highest standards of ethics, integrity and corporate responsibility through the adoption of clear and structured business conduct policies. These policies not only regulate internal behaviour, but also define how the Group establishes, develops, promotes and evaluates its corporate culture.

The Tesmec Group's policies on business conduct are based on the Code of Ethics, the Organisational, Management and Control Model (Italian Legislative Decree no. 231/2001), the Anti-Corruption and Whistle-blowing Policies and the Charity Policy described below.

To consolidate and promote its corporate culture, the Tesmec Group developed a systematic approach based on regular training programmes on business ethics, compliance and social responsibility for employees and business partners, as well as the promotion of transparent dialogue with customers, suppliers and investors to ensure that the corporate culture is reflected in all activities of the value chain.

The highest level of management in the organisation of the company that is responsible for implementing the policy is the Chief Executive Officer in collaboration with the Business Unit Directors.

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. It is a fundamental tool for ensuring integrity and transparency, helping to prevent, mitigate and correct negative impacts and to strengthen the management of economic, social and environmental risks and opportunities.

The purpose of the Code of Ethics is to promote a corporate culture based on compliance and the highest ethical standards, ensuring correct and responsible behaviour by all those involved in the company's activities. The provisions of the Code of Ethics apply to members of the corporate bodies, employees (including managers and executives), collaborators, agents/business brokers, suppliers and anyone else who does business with or has a relationship with the Group, directly or indirectly, on a permanent or temporary basis.

In particular, the Code of Ethics regulates compliance with the rules on fair competition, prevention of corruption and conflicts of interest, protection of occupational health and safety, protection of the environment and human rights, as well as respect for the principles of fairness, inclusion and non-discrimination.

The values of Tesmec
Enhancement of human resources and personal integrity
Privacy
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

The Code of Ethics is approved by the Board of Directors, and the Supervisory Body ensures its application.
The Supervisory Body has, among other things, the task of:

- proposing amendments and additions to the Code in the event of changes in the regulations;
- checking the application of and compliance with the Code on a regular basis;
- undertaking activities to disseminate the Code;
- proposing changes to the Board of Directors;
- managing reports of violations of the principles contained in the Code and supporting the whistle-blower;

- preparing an annual report on the activities carried out to be submitted to the Board of Directors.

The Code of Ethics of the Tesmec Group is inspired by and complies with important regulatory references and international initiatives, including the principles of the United Nations Global Compact, which promote corporate social responsibility in the areas of human rights, labour, the environment and the fight against corruption; the OECD guidelines for multinational enterprises, which provide recommendations for responsible business conduct; the ISO 37001 Standard on anti-bribery management, which the Group refers to in order to strengthen its anti-bribery measures; and European Union regulations and directives on sustainability and corporate responsibility.

Organisational, Management and Control Model Italian Legislative Decree no. 231/2001 and Whistle-blowing Policy

The Board of Directors of Tesmec S.p.A. 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 10 May 2024.

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 8 May 2024.

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.).

Classroom training on Whistle-blowing through a presentation of slides summarising the relevant regulations and illustrating the whistle-blowing procedures. Training is provided to all employees when they are hired. Periodic training is provided by sending out special circulars. The whistle-blowing reports are examined only and exclusively by the Internal Audit and the Supervisory Body.

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

In addition to the procedures for handling whistle-blower reports, the Tesmec Group has implemented a structured system for the prompt, independent and objective investigation of incidents involving business conduct. The Organisational, Management and Control Model includes specific procedures to:

- Promptly identify and analyse any report received through the whistle-blowing channels, ensuring a prompt and effective response;
- Guarantee the independence and impartiality of the investigation, entrusting it to the Supervisory Body (SB) or to other subjects with specific skills, depending on the nature of the case;
- Ensure the privacy of the whistle-blower and the parties involved in compliance with current regulations on data protection and the protection of whistle-blowers;
- Take disciplinary and corrective action as necessary to prevent the recurrence of illegal conduct or conduct that does not meet the Group's ethical standards.

The investigations are carried out according to criteria of objectivity, impartiality and timeliness, using qualified internal functions or, in more complex cases, independent external consultants.

Anti-Corruption Policy

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 policy 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.

The main anti-corruption regulations in force in Tesmec relate to charity/donations and sponsorship, personnel selection, entertainment expenses, agents and intermediaries, travel expenses and reports.

The Group defines white collar workers, middle managers and managers as internal figures at higher risk of bribery and corruption. Despite this, all personnel are informed about anti-corruption.

The Management of the organisation pays particular attention to the training of its employees on business conduct to ensure that all employees understand and implement the rules set out in the Code of Ethics. An annual training plan is provided and managed by Internal Audit as follows: newly hired personnel, as specified in the letter of employment, are made aware of the fact that the Companies have adopted their own Code of Ethics and are asked to read it and the documents referred to therein; personnel are also made aware of the Code of Ethics through classroom training.

For more information, please refer to paragraph 4.2.4 Prevention and detection of corruption and bribery.

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.

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.

Charity Policy

The Tesmec Group is committed to promoting corporate social responsibility initiatives through its Charity Policy, ensuring that all charitable activities, donations and sponsorships are carried out in an ethical and transparent manner and in accordance with current regulations.

In order to ensure that the resources allocated to charitable activities and sponsorship are used correctly and in accordance with the Group's values, the Charity Policy provides for:

- A structured process of selection and evaluation of beneficiary organisations, based on criteria of integrity, transparency and compliance with anti-corruption regulations;
- A system for monitoring and tracing donations and disbursements to avoid the risk of improper use of resources;
- Investigation procedures to verify any reports of misconduct, entrusted to independent functions within the company or, if necessary, to specialised external consultants;
- Disciplinary and corrective action in case of anomalies or violations of company policies.
- Charitable activities are subject to regular internal checks and audits to ensure compliance with anti-corruption regulations, in particular with regard to the risks of bribery and corruption, conflicts of interest or loans to organisations that do not meet the Group's ethical standards.

Specifically, the Group supports projects in the following areas:
- Social and health care, welfare and health;
- Professional empowerment of young people and women;
- Combating poverty and Social inclusion programmes.

The aim is to bring about positive change that will make a real difference to the quality of life of the communities and strengthen the collaborations and bonds between all those who live and work in the area. The projects are regularly examined by an internal committee called the Charity Committee, made up of four people including management and workers' representatives, which reports to the Control, Risk and Sustainability and Related Parties Transactions Committee.

The Charity Policy applies to all Tesmec Group companies in accordance with the Code of Ethics, the 231 Organisational Model, the Anti-Corruption Policy and all other company policies.

Participation in external initiatives and memberships

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.
The aim of the working group is to implement training and information projects for members such as newsletters, conferences and workshops.

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. 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 its 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.
Moreover, starting from the 2025 tax year, the Parent Company, together with its subsidiaries Tesmec Automation S.r.l. and 4 Service S.r.l., joined the group VAT settlement procedure, which is expected to bring significant cash flow benefits, while leaving the participating companies subject to the tax system.

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, innovation and technological investment.

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)

The Tesmec Group guarantees compliance with applicable law provisions, and the principles of transparency, honesty and fairness in its relations with the tax authorities of the countries in which it operates. The management of relations with the tax authorities is the exclusive responsibility of the relevant business functions. The Group does not unduly influence, not 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 relationships with all relevant tax authorities and to resolve any disputes in a spirit of co-operation.

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.

In January 2025, the subsidiary Tesmec Automation S.r.l. received from the Italian Inland Revenue the notices of assessment relating to the tax audit carried out on the 2018 financial year and for which the subsidiary had received a report on findings in 2022. The Italian Inland Revenue challenged the Company's undue utilisation of R&D credits. The Company believes it has acted correctly and is preparing its counterclaims with the assistance of its advisors. In 2023, the same subsidiary received a deed of collection, issued by the Italian Inland Revenue for misuse to offset the research and development tax credit for the 2015 and 2016 tax years. 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 Tax Court of Justice of Bergamo upheld the appeal of Tesmec Automation S.r.l. in full and the Italian Inland Revenue appealed against this decision.

During 2024, the parent company Tesmec S.p.A. received a notice of assessment from the Italian Inland Revenue for the 2017 tax year. In this regard, the Italian Inland Revenue disputed the deductibility of the costs related to the then existing relationship with SIMEST S.p.A., a public company that was at the time the Group's partner in foreign investments in the United States and France. The company, believing its actions to be correct also on the basis of the opinions received, immediately appealed against the aforementioned notice. The Tax Court of Milan upheld the appeal of Tesmec Automation S.r.l. in full.

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.

Management of relationships with suppliers

ESRS Standards	ESRS G1 G1-2

Tesmec approach to relations with supplier focuses on building long-term relationships based on mutual trust, product quality and compliance with ethical standards. Establishing a constant dialogue with suppliers, through an alliance based on transparency, helps to prevent and quickly address risks related to supply chain disruptions. Strategic collaboration with suppliers who share the same values, such as those described in the Tesmec Group Code of Ethics for Suppliers, helps to improve the supply chain stability. Verifying the highest quality and safety standards of its suppliers is a priority for the Group. To reduce risks related to non-compliance with laws and regulations, Tesmec invests in regular supply chain audits, monitoring compliance with local and international laws, including environmental, social and governance laws.

Tesmec Group does not have standard payment conditions towards its suppliers. It does not apply preferential terms to small and medium-sized enterprises. The contractual payment terms are defined in the commercial agreement with the individual supplier. For further information, please refer to the Payment Practices paragraph.

Supply policies

The data concerning the management of suppliers and the product are 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 included 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, 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. In particular, approximately 82% of suppliers of Tesmec S.p.A. are Italian, with the remaining 18% 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.

Selection, qualification and monitoring of the supply chain

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 2024, 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 60% of Tesmec S.p.A. suppliers and 70% 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 2024, the companies of the Tesmec Group registered a total of 388 new suppliers, of which 8.0% were assessed according to environmental and social criteria. Among the 133 suppliers that have entered into business relations with Tesmec S.p.A. and Tesmec Rail S.r.l., the Quality Department identified 41 on which checks were carried out in terms of quality, safety, environment and social issues. No negative, potential or actual environmental or social impacts have been identified for any of the suppliers. Specifically, the parent company Tesmec S.p.A. registered 94 new suppliers, 25.5% of which were assessed on environmental criteria.

Prevention and detection of corruption and bribery

ESRS Standards	ESRS G1 G1-3

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 4.2.2 Corporate culture and business conduct policies).

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.

The Supervisory Body 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. The Supervisory Body is granted the necessary powers of action and control to ensure effective and efficient supervision of the functioning of Model 231.

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).

The Internal Audit reports the results of the audits carried out on a quarterly basis to the Supervisory Body and to the Control, Risk and Sustainability Committee.

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 Whistle-blowing 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 exceeding Euro 50,000 are evaluated for the determination of these risks. Within the Group, more than 250 counterparties were checked representing 35% of the Companies, such as, in addition to the Italian companies, Tesmec Australia (Pty) Ltd, Tesmec USA Inc., Tesmec SA (Pty) Ltd. and Tesmec Russia.

The Company's objective is to communicate the contents and principles of Model 231 and the Anti-Corruption Policy not only to its employees but also to those who, although not formally classified as employees, work – even occasionally – to achieve the Company's objectives by virtue of contractual relationships.

In fact, they are addressed both to those who hold representative, administrative or managerial positions in the Company and to those who are subject to the management or supervision of any of the aforementioned, but also, more generally, to all those who contribute to the achievement of the Company's objectives. In fact, the Company intends to:

- make all those who work in its name and on its behalf in "sensitive areas" aware that they may be committing an offence, which could result in sanctions;
- inform all those who act in any capacity in its name, on its behalf or in any way in its interest that the violation of the provisions will lead to in the application of specific sanctions or to the termination of the contractual relationship;
- emphasise that it does not tolerate unlawful behaviour of any kind or for any purpose, as such behaviour is contrary to the ethical principles to which the Company adheres.

All members of the Tesmec Group's governance body have been informed about anti-corruption regulations and procedures.

All employees of the Italian companies are equally informed about the anti-corruption system adopted by the organisation and are trained on it at the end of the reporting period. The Tesmec Group provides training on anti-bribery and anti-corruption to all new hires of the Italian companies. In particular, this training is provided on a quarterly basis and covers topics such as the 231 Model, the Code of Ethics and the procedures for reporting violations of the Code. In particular, during 2024, 38 of the newly hired white collar workers in the various premises throughout Italy attended training courses on the anti-corruption system.

The Tesmec Group identified its managers, middle managers and white collar workers as being exposed to the risk of bribery and corruption by virtue of their roles and responsibilities. Compared to the high-risk functions present in Italy, 10.4% received anti-corruption training in 2024.

The Management pays particular attention to the training of its personnel to ensure that all employees understand and implement the rules set out in Italian Legislative Decree no. 231/01, as well as in the Organisational, Management and Control Model and in the Anti-Corruption Policy. They include an annual "*Personnel training and qualification plan*", which is mandatory and differentiated in terms of content and delivery methods according to the qualification of the recipients, the risk level of the area in which they operate and the representative functions they perform. This plan is managed by the Internal Audit in coordination with the Supervisory Body as follows:

- **Ongoing classroom training** - Classroom training that can be delivered both "face-to-face" and via computer applications (e.g. "Microsoft Teams", etc.) and is aimed at all newly hired company personnel (white collar, middle managers and managers).
- **"Initial" training activities** - As stated in the letter of employment, newly hired personnel are made aware of the fact that the Companies have adopted their own Model 231 and are asked to read it and the documents referred to in it (i.e., by way of example, the "Code of Ethics" and the company procedures that regulate the 231 risk, Anti-Corruption Policy areas) to all Tesmec employees (blue collar, white collar, middle managers and managers).
- **Information Circulars** - With the aim of further raising the awareness of the Company's personnel on topics relating to the administrative liability of entities, owing to new legislation introduced in the meantime and in the light of the relevant positions adopted in case law and the (academic) literature on 231 to all Tesmec employees (blue collar workers, white collar workers, middle managers and managers).

Training is also provided to the Group's managers, some of whom are members of the Group's Board of Directors.

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.

4.4.1.3 Metrics

Cases of corruption or bribery

ESRS Standards	ESRS 2 MDR-A, ESRS 2 MDR-M, ESRS G1 G1-4

In 2024, 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".

Moreover, 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.

Payment practices

ESRS Standards	ESRS 2 MDR-M, ESRS G1 G1-6

Tesmec Group does not have standard contractual payment conditions for its suppliers. Actually the contractual payment terms are defined in the commercial agreement with the individual supplier and may present differences, even significant ones, depending on the type of supply (goods or service) or on the commercial practices used in the supplier's country. For this reason, the credit conditions granted by the supplier may vary from short timeframes - usually 30/40 days - typical of foreign companies, to 90/120 days or more, more commonly accepted in Italian national practice. The Group does not apply preferential conditions to small and medium-sized enterprises.

The Group also uses some solutions of the so-called “supply chain finance” and in particular uses the “indirect factoring” or reverse factoring with some financial institutions. In such cases, the financial institution extinguishes the commercial debt to the supplier, at maturity or in advance, and grants the Group, of which it has become a creditor, a payment extension.

The statistics relating to the average payment times of the Italian companies of the Group, with respect to the most frequently applied contractual terms, are as follows:

Type	Standard terms	Average payment times
National suppliers	**65**	**125**
UE suppliers	**40**	**110**
Extra-UE suppliers	**30**	**135**
Suppliers with reverse factoring	**130**	**130**
Avarage value	***60***	***125***

Currently, the Group has no legal proceedings pending due to late payment.

Annex 1 - ESRS content index

ESRS Standards	Disclosures	Chapter References
General disclosures		
BP-1	General basis for preparation of the sustainability statement	4.1.1 Reporting standards
BP-2	Disclosures in relation to specific circumstances	4.1.1 Reporting standards
GOV-1	The role of the administrative, management and supervisory bodies	4.1.3 Governance of sustainability/4.1.3.1 The governance system
		4.1.3 Governance of sustainability/4.1.3.2 The process of information and management of sustainability topics
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	4.1.3 Governance of sustainability/4.1.3.2 The process of information and management of sustainability topics
GOV-3	Integration of sustainability-related performance in incentive schemes	4.1.3 Governance of sustainability/4.1.3.3 Integration of sustainability-related performance in incentive schemes
GOV-4	Statement on due diligence	4.1.3 Governance of sustainability/4.1.3.4 The sustainability due diligence process
GOV-5	Risk management and internal controls over sustainability reporting	4.1.3 Governance of sustainability/4.1.3.5 The internal control system over sustainability reporting
SBM-1	Strategy, business model and value chain	4.1.2 Strategy and business model/4.1.2.1 Strategy, business model and value chain
SBM-2	Interests and views of stakeholders	4.1.2 Strategy and business model/4.1.2.2 Stakeholders: interests and expectations
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.1.2 Strategy and business model/4.1.2.3 Material impacts, risks and opportunities and their interaction with strategy and business model
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	4.1.4 Impact, risk and opportunity management/4.1.4.1 Materiality Assessment
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	4.1.4 Impact, risk and opportunity management/4.1.4.1 Materiality Assessment/Material topics and ESRS reporting
Environmental information		
ESRS E1 - Climate Change		
E1.GOV-3	Integration of sustainability-related performance in incentive schemes	4.2.1 Climate change/4.2.1.1 Governance/Integration of sustainability-related performance in incentive schemes
E1-1	Transition plan for climate change mitigation	4.2.1 Climate change/4.2.1.2 Strategy/Transition plan for climate change mitigation
E1.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.2.1 Climate change/4.2.1.2 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
E1.IRO-1	Description of the process to identify and assess climate-related material impacts, risks and opportunities	4.2.1 Climate change/4.2.1.3 Impact, risk and opportunity management/The process for identifying and assessing material impacts, risks and opportunities
E1-2	Policies related to climate change mitigation and adaptation	4.2.1 Climate change/4.2.1.3 Impact, risk and opportunity management/Policies related to climate change mitigation and adaptation
E1-3	Actions and resources in relation to climate change policies	4.2.1 Climate change/4.2.1.3 Impact, risk and opportunity management/Actions and resources in relation to climate change
E1-4	Targets related to climate change mitigation and adaptation	4.2.1 Climate change/4.2.1.4 Metrics and targets/Targets related to climate change mitigation
E1-5	Energy consumption and mix	4.2.1 Climate change/4.2.1.4 Metrics and targets/Energy consumption and mix
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	4.2.1 Climate change/4.2.1.4 Metrics and targets/GHG emissions
ESRS E2 - Pollution		
E2.IRO-1	Description of the process to identify and assess pollution-related material impacts, risks and opportunities	4.2.2 Pollution/4.2.2.1 Impact, risk and opportunity management/The process for identifying and assessing material impacts, risks and opportunities

E2-1	Policies related to pollution	4.2.2 Pollution/4.2.2.1 Impact, risk and opportunity management/Policies related to pollution
E2-2	Actions and resources related to pollution	4.2.2 Pollution/4.2.2.1 Impact, risk and opportunity management/Actions and resources related to pollution
E2-3	Targets related to pollution	4.2.2 Pollution/4.2.2.2 Metrics and targets/Targets related to pollution
E2-5	Substances of concern and substances of very high concern	4.2.2 Pollution/4.2.2.2 Metrics and targets/Substances of concern
ESRS E5 - Resource use and circular economy		
E5.IRO-1	Description of the process to identify and assess climate-related material impacts, risks and opportunities	4.2.3 Resource use and circular economy/4.2.3.1 Impact, risk and opportunity management/The process for identifying and assessing material impacts, risks and opportunities
E5-1	Policies related to resource use and circular economy	4.2.3 Resource use and circular economy/4.2.3.1 Impact, risk and opportunity management/Policies related to resource use and circular economy
E5-2	Actions and resources related to resource use and circular economy	4.2.3 Resource use and circular economy/4.2.3.1 Impact, risk and opportunity management/Actions and resources related to resource use and circular economy
E5-3	Targets related to resource use and circular economy	4.2.3 Resource use and circular economy/4.2.3.2 Metrics and targets/Targets related to resource use and circular economy
E5-4	Resource inflows	4.2.3 Resource use and circular economy/4.2.3.2 Metrics and targets/Resource inflows
E5-5	Resource outflows	4.2.3 Resource use and circular economy/4.2.3.2 Metrics and targets/Resource inflows
Social information		
ESRS S1 - Own Workforce		
S1.SBM-2	Interests and views of stakeholders	4.3.1 Own workforce/4.3.1.1 Strategy/Interests and views of stakeholders
S1.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.3.1 Own workforce/4.3.1.1 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S1-1	Policies related to own workforce	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Policies related to own workforce
S1-2	Processes for engaging with own workforce and workers' representatives about impacts	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Processes for engaging with own workforce and workers' representatives about impacts
S1-3	Processes to remediate negative impacts and channels for own workforce to raise concerns	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Processes to remediate negative impacts and channels for own workforce to raise concerns
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Taking action on own workforce
S1-5	Targets related to managing material impacts, advancing positive impacts, and managing material risks and opportunities	4.3.1 Own workforce/4.3.1.3 Metrics and targets/Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
S1-6	Characteristics of the undertaking's employees	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Characteristics of the undertaking's employees
S1-7	Characteristics of non-employees in the undertaking's own workforce	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Characteristics of non-employees in the undertaking's own workforce
S1-8	Collective bargaining coverage and social dialogue	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Collective bargaining coverage and social dialogue
S1-9	Diversity metrics	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Diversity metrics
S1-10	Adequate wages	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Adequate wages and remuneration
S1-11	Social protection	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Social protection
S1-12	Persons with disabilities	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Persons with disabilities
S1-13	Training metrics and skills development	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Training metrics and skills development

S1-14	Health and safety metrics	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Health and safety metrics
S1-15	Work-life balance	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Work-life balance metrics
S1-16	Remuneration metrics (pay gap and total remuneration)	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Adequate wages and remuneration
S1-17	Incidents, complaints and severe human rights impacts	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Diversity metrics
ESRS S2 - Workers in the value chain		
S2.SBM-2	Interests and views of stakeholders	4.3.2 Workers in the value chain/4.3.2.1 Strategy/Interests and views of stakeholders
S2.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.3.2 Workers in the value chain/4.3.2.1 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S2-1	Policies related to value chain workers	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Policies related to value chain workers
S2-2	Processes for engaging with value chain workers about impacts	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Processes for engaging with value chain workers about impacts
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Processes to remediate negative impacts and channels for value chain workers to raise concerns
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Taking action on workers in the value chain
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	4.3.2 Workers in the value chain/4.3.2.3 Targets/Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
ESRS S4 - Consumers and end-users		
S4.SBM-2	Interests and views of stakeholders	4.3.3 Consumers and end-users/4.3.3.1 Strategy/Interests and views of stakeholders
S4.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.3.3 Consumers and end-users/4.3.3.1 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S4-1	Policies related to consumers and end-users	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Policies related to consumers and/or end-users
		4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Policies related to the consumer and end user privacy
S4-2	Processes for engaging with consumers and end-users about impacts	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Processes for engaging with consumers and end-users about impacts
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Processes to remediate negative impacts and channels for consumers and end-users to raise concerns
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Taking action on consumers and end users
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	4.3.3 Consumers and end-users/4.3.3.3 Targets/Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
Governance information		
ESRS G1 - Business conduct		
G1.GOV-1	The role of the administrative, management and supervisory bodies	4.4.1 Business conduct/4.4.1.1 Governance/The role of the administrative, management and supervisory bodies
G1.IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Description of the process to identify and assess material impacts, risks and opportunities

G1-1	Corporate culture and business conduct policies	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Corporate culture and business conduct policies
G1-2	Management of relationships with suppliers	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Management of relationships with suppliers
G1-3	Prevention and detection of corruption and bribery	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Prevention and detection of corruption and bribery
G1-4	Cases of corruption or bribery	4.4.1 Business conduct/4.4.1.3 Metrics/Cases of corruption or bribery
G1-6	Payment practices	4.4.1 Business conduct/4.4.1.3 Metrics/Payment practices

Annex 2 - EU legislation index

ESRS Standards		Disclosures	EU documents References	Chapter References
General disclosures				
GOV-1	21 (d)	Board gender diversity	SFDR Benchmark Regulation	4.1.3 Governance of sustainability/4.1.3.1 The governance system
GOV-1	21 (e)	Percentage of board members who are independent	Benchmark Regulation	4.1.3 Governance of sustainability/4.1.3.1 The governance system
GOV-4	30	Statement on due diligence	SFDR	4.1.3 Governance of sustainability/4.1.3.4 The sustainability due diligence process
SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	SFDR Pillar 3 Benchmark Regulation	4.1.2 Strategy and business model/4.1.2.1 Strategy, business model and value chain
SBM-1	40 (d) ii	Involvement in activities related to chemical production	SFDR Benchmark Regulation	4.1.2 Strategy and business model/4.1.2.1 Strategy, business model and value chain
SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	SFDR Benchmark Regulation	4.1.2 Strategy and business model/4.1.2.1 Strategy, business model and value chain
SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco	Benchmark Regulation	4.1.2 Strategy and business model/4.1.2.1 Strategy, business model and value chain
Environmental information				
ESRS E1 - Climate Change				
E1-1	14	Transition plan to reach climate neutrality by 2050	EU Climate Law reference	4.2.1 Climate change/4.2.1.2 Strategy/Transition plan for climate change mitigation
E1-1	16 (g)	Undertakings excluded from Paris-aligned Benchmarks	Pillar 3 Benchmark Regulation	Not material
E1-4	34	GHG emission reduction targets	SFDR Pillar 3 Benchmark Regulation	4.2.1 Climate change/4.2.1.4 Metrics and targets/Targets related to climate change mitigation
E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	SFDR	4.2.1 Climate change/4.2.1.4 Metrics and targets/Energy consumption and mix
E1-5	37	Energy consumption and mix	SFDR	4.2.1 Climate change/4.2.1.4 Metrics and targets/Energy consumption and mix
E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	SFDR	4.2.1 Climate change/4.2.1.4 Metrics and targets/Energy consumption and mix
E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	SFDR Pillar 3 Benchmark Regulation	4.2.1 Climate change/4.2.1.4 Metrics and targets/GHG emissions
E1-6	53-55	Gross GHG emissions intensity	SFDR Pillar 3 Benchmark Regulation	4.2.1 Climate change/4.2.1.4 Metrics and targets/GHG emissions
E1-7	56	GHG absorption and carbon credits	EU Climate Law reference	Not applicable
E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks	Benchmark Regulation	Phase-in
E1-9	66 (a)	Disaggregation of monetary amounts by acute and chronic physical risk	Pillar 3	Phase-in
E1-9	66 (c)	Location of significant assets at material physical risk	Pillar 3	Phase-in
E1-9	67 (c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes	Pillar 3	Phase-in
E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	Pillar 3	Phase-in

ESRS E2 - Pollution				
E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	SFDR	Not applicable
ESRS E5 - Resource use and circular economy				
E5-5	37 (d)	Non-recycled waste	SFDR	4.2.3 Resource use and circular economy/4.2.3.2 Metrics and targets/Resource inflows
E5-5	39	Hazardous waste and radioactive waste	SFDR	4.2.3 Resource use and circular economy/4.2.3.2 Metrics and targets/Resource inflows
Social information				
ESRS S1 - Own Workforce				
S1.SBM-3	14 (f)	Risk of incidents of forced labour	SFDR	4.2.1 Climate change/4.2.1.2 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S1.SBM-3	14 (g)	Risk of incidents of child labour	SFDR	4.2.1 Climate change/4.2.1.2 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S1-1	20	Human rights policy commitments	SFDR	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Policies related to own workforce
S1-1	21	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8	Benchmark Regulation	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Policies related to own workforce
S1-1	22	Processes and measures for preventing trafficking in human beings	SFDR	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Policies related to own workforce
S1-1	23	Workplace accident prevention policy or management system	SFDR	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Policies related to own workforce
S1-3	32 (c)	Grievance/complaints handling mechanisms	SFDR	4.3.1 Own workforce/4.3.1.2 Impact, risk and opportunity management/Processes to remediate negative impacts and channels for own workforce to raise concerns
S1-14	88 (b) (c)	Number of fatalities and number and rate of work-related accidents	SFDR Benchmark Regulation	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Health and safety metrics
S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities or disease	SFDR	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Health and safety metrics
S1-16	97 (a)	Unadjusted gender pay gap	SFDR Benchmark Regulation	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Adequate wages and remuneration
S1-16	97 (b)	Excessive CEO pay ratio	SFDR	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Adequate wages and remuneration
S1-17	103 (a)	Incidents of discrimination	SFDR	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Diversity metrics
S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	SFDR Benchmark Regulation	4.3.1 Own workforce/4.3.1.4 Metrics and targets/Diversity metrics
ESRS S2 - Workers in the value chain				
S2.SBM-3	11 (b)	Significant risk of child labour or forced labour in the value chain	SFDR	4.3.2 Workers in the value chain/4.3.2.1 Strategy/Material impacts, risks and opportunities and their interaction with strategy and business model
S2-1	17	Human rights policy commitments	SFDR	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Policies related to value chain workers

S2-1	18	Policies related to value chain workers	SFDR	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Policies related to value chain workers
S2-1	19	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	SFDR Benchmark Regulation	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Policies related to value chain workers
S2-1	19	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8	Benchmark Regulation	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Policies related to value chain workers
S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	SFDR	4.3.2 Workers in the value chain/4.3.2.2 Impact, risk and opportunity management/Taking action on workers in the value chain
ESRS S4 - Consumers and end-users				
S4-1	16	Policies related to consumers and end-users	SFDR	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Policies related to consumers and/or end-users
S4-1	17	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	SFDR Benchmark Regulation	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Policies related to consumers and/or end-users
S4-4	35	Human rights issues and incidents	SFDR	4.3.3 Consumers and end-users/4.3.3.2 Impact, risk and opportunity management/Taking action on consumers and end users
Governance information				
ESRS G1 - Business conduct				
G1-1	10 (b)	United Nations Convention against Corruption	SFDR	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Corporate culture and business conduct policies
G1-1	10 (d)	Protection of whistle-blowers	SFDR	4.4.1 Business conduct/4.4.1.2 Impact, risk and opportunity management/Corporate culture and business conduct policies
G1-4	24 (a)	Fines for violation of anti-corruption and anti-bribery laws	SFDR Benchmark Regulation	Not applicable
G1-4	24 (b)	Standards of anti-corruption and anti-bribery	SFDR	Not applicable

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);
- Grassobbio (BG): Via Zanica 17/O (administrative offices and factory);
- Sirone (LC): Via Don Brambilla 26/28 (factory).

5.4 Treasury shares and shares of parent companies

On 18 April 2024, the Shareholders’ Meeting authorised the treasury share buy-back plan for a period of 18 months; the authorisation of 18 April 2024 replaces the revocation granted by the Ordinary Shareholders' Meeting of 20 April 2023. 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 2024, 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 2024 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 the following companies: Tesmec USA, Inc., Tesmec Peninsula WLL, Tesmec Saudi Arabia LLC 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 and 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 2024 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

Significant events occurred after the reporting period:

- on 28 January 2025, the Parent Company Tesmec S.p.A. announced the development of a series of strategic initiatives in France - started in December 2024 with the signing of the Binding Term Sheet with OT Engineering- with the aim of further strengthening the Group's competitive position and increasing the synergies between the various divisions for the further development of the local market.

  In particular, Tesmec reorganised its French subsidiary, Groupe Marais, through Marais Technologies, to focus its activities on the rental of its fleet of machines as part of its mechanised cable-laying services, while the production and sale of Trenchers was transferred to a new company, Tesmec France now wholly owned by Tesmec.

  In order to strengthen the industrial project, the French subsidiary Groupe Marais SAS, which focuses on the core business of rental, continued to implement the agreement signed in December 2024 with OT Engineering (a French company belonging to the Comergy group), which will acquire 50% of the share capital; as a result of this agreement, the Tesmec Group loses control of Groupe Marais SAS, which will be jointly controlled with the other shareholder. For further details, please refer to paragraph 6 Assets and liabilities held for sale in the explanatory notes;

- on 7 February 2025, the subsidiary Tesmec Automation S.r.l. was awarded one lot of the tender called Enedis, a company belonging to the EDF (Electricitè de France) group that manages the French electricity distribution network, for the supply of new generation equipment for the remote control and automation of the electricity network, for an amount of more than Euro 40 million and a duration of 8 years (of which 3 are optional). After an initial project development phase, in which Tesmec will meet Enedis' technical qualification requirements, a massive and continuous deployment is planned throughout France over the duration of the contract.

6.1 Business outlook

In 2024, Tesmec continued its development strategies in 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 sector. In the Trencher segment, investments in infrastructure, power networks and Fibre to the Home projects are still growing, driven by government incentives and the increasing demand for connectivity. The rail segment is looking to the future with confidence, thanks to substantial investments aimed at reducing road traffic congestion, promoting sustainable mobility and improving the safety of rail transport through diagnostics and maintenance of power lines. Finally, the energy transition continues to be an important opportunity for Tesmec, with an increasing focus on the power lines being adapted to the new demands created by the use of renewable energy.

With reference to 2025, given the uncertainty of the current geopolitical and macroeconomic context and in continuity with the operational and strategic change initiated in 2024, the Company expects growth to be driven by opportunities in sectors led by the energy transition, with significant prospects related to the backlog of the Energy-Automation segment, the growing demand for Stringing equipment solutions, the internalisation strategy of the Rail segment and the positive outlook for cable laying and surface mining technologies for the Trencher segment. Thanks to its international presence and current production structure, with factories in both Italy and the USA, the Company also believes it is well placed to meet the challenges posed by the current macroeconomic scenario. Management remains committed to prioritising profitability and cash generation over volume, while continuing to pursue strategic initiatives to strengthen the industrial base and increase the efficiency of invested capital.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated statement of financial position

		31 December	
(Euro in thousands)	**Notes**	**2024**	**2023**
NON-CURRENT ASSETS			
Intangible assets	8	42,238	39,348
Property, plant and equipment	9	34,160	45,081
Rights of use	10	23,373	28,868
Equity investments in associates evaluated using the equity method	11	7,066	6,285
Other equity investments		43	40
Financial receivables and other non-current financial assets	12	9,731	11,658
Derivative financial instruments	24	72	335
Deferred tax assets	32	14,748	21,939
Non-current trade receivables		2,912	2,575
Other non-current assets		8	717
TOTAL NON-CURRENT ASSETS		**134,351**	**156,846**
CURRENT ASSETS			
Work in progress contracts	13	36,734	29,247
Inventories	14	96,134	110,621
Trade receivables	15	55,429	45,643
of which with related parties:		*1,830*	*2,926*
Tax receivables	16	2,666	3,179
Financial receivables and other current financial assets	17	35,740	27,888
of which with related parties:		*1,496*	*2,605*
Derivative financial instruments		13	-
Other current assets	18	13,728	13,003
Cash and cash equivalents	19	29,559	53,680
TOTAL CURRENT ASSETS		**270,003**	**283,261**
TOTAL ASSETS HELD FOR SALE	6	**19,597**	**-**
TOTAL ASSETS		**423,951**	**440,107**
SHAREHOLDERS' EQUITY			
GROUP SHAREHOLDERS' EQUITY			
Share capital	20	15,702	15,702
Reserves	20	64,007	62,968
Group net profit/(loss)	20	(5,181)	(2,969)
TOTAL GROUP SHAREHOLDERS' EQUITY		**74,528**	**75,701**
Non-controlling interest in capital and reserves		2,720	2,272
Net profit/(loss) for the year attributable to non-controlling interests		364	271
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**3,084**	**2,543**
TOTAL SHAREHOLDERS' EQUITY		**77,612**	**78,244**
NON-CURRENT LIABILITIES			
Medium/long-term loans	21	72,548	92,007
of which with related parties:		*1,899*	*1,899*
Non-current bond issue	22	7,576	-
Non-current financial liabilities from rights of use	23	23,314	29,849
of which with related parties:		*3,781*	*4,154*
Derivative financial instruments	24	176	-
Employee benefit liability	25	3,915	4,110
Deferred tax liabilities	32	1,615	7,830
TOTAL NON-CURRENT LIABILITIES		**109,144**	**133,796**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	26	98,135	102,565
of which with related parties:		*1,081*	*1,081*
Current bond issue	27	-	1,246
Current financial liabilities from rights of use	23	10,454	9,398
of which with related parties:		*2,714*	*1,794*

Derivative financial instruments	24	60	-
Trade payables	28	79,905	82,842
of which with related parties:		*2,630*	*1,240*
Advances from customers		3,247	2,611
Income taxes payable	29	3,190	3,051
Provisions for risks and charges	30	2,609	2,837
Other current liabilities	31	15,923	23,517
TOTAL CURRENT LIABILITIES		**213,523**	**228,067**
TOTAL LIABILITIES HELD FOR SALE	6	**23,672**	**-**
TOTAL LIABILITIES		**346,339**	**361,863**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**423,951**	**440,107**

Consolidated income statement

		Financial year ended 31 December	
(Euro in thousands)	**Notes**	**2024**	**2023**
Revenues from sales and services	33	**239,546**	**236,040**
of which with related parties:		*4,124*	*10,720*
Cost of raw materials and consumables	34	(108,978)	(106,258)
of which with related parties:		*(9)*	*(94)*
Costs for services	35	(42,687)	(47,875)
of which with related parties:		*(280)*	*(92)*
Payroll costs	36	(53,003)	(56,615)
Other net operating costs/revenues	37	(4,702)	(6,897)
of which with related parties:		*176*	*96*
Amortisation/Depreciation	38	(20,666)	(19,800)
Development costs capitalised	39	10,559	13,491
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		367	941
Total operating costs		**(219,110)**	**(223,013)**
Operating income		**20,436**	**13,027**
Financial expenses	40	(21,970)	(19,653)
of which with related parties:		*(427)*	*(389)*
Financial income	41	5,365	5,156
of which with related parties:		*91*	*63*
Portion of losses/(gains) from valuation of the associated companies and non-operational Joint Ventures evaluated using the equity method		4	(8)
Pre-tax profit/(loss)		**3,835**	**(1,478)**
Income tax	32	(3,599)	1,177
Net profit/(loss) for the year of continuing operations		**236**	**(301)**
Net loss for the year of assets held for sale	6	**(5,053)**	**(2,397)**
Net profit/(loss) for the year		**(4,817)**	**(2,698)**
Profit/(loss) attributable to non-controlling interests		**364**	**271**
Group profit/(loss)		**(5,181)**	**(2,969)**
Basic and diluted earnings/(losses) per share		**(0.009)**	**(0.005)**

Consolidated statement of comprehensive income

		Financial year ended 31 December	
(Euro in thousands)	**Notes**	**2024**	**2023**
NET RESULT FOR THE YEAR		**(4,817)**	**(2,698)**
Other components of comprehensive income:			
Other components of comprehensive income that will be subsequently reclassified to net profit/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	20	3,184	(1,182)
Other changes		1,154	(653)
Other components of comprehensive income that will not be subsequently reclassified to net profit/(loss) for the year:			
Actuarial profit/(loss) on defined benefit plans	25	(19)	(197)
Income tax		5	47
		(14)	(150)
Total other profit/(losses) after tax		**4,324**	**(1,985)**
Total comprehensive income/(loss) after tax		**(493)**	**(4,683)**
Attributable to:			
Shareholders of Parent Company		(1,034)	(4,860)
Non-controlling interests		541	177

Statement of consolidated cash flows

(Euro in thousands)	Notes	Financial year ended 31 December 2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year of continuing operations		236	(301)
Adjustments to reconcile net income for the year with the cash flows generated by operating activities:			
Amortisation/Depreciation	38	20,666	22,953
Provisions for employee benefit liability	25	1,770	1,741
Allocations for risks and charges/inventory obsolescence/doubtful account provisions	14-15-30	5,400	6,725
Employee benefit payments	25	(1,721)	(1,784)
Payments/use of provisions for risks and charges	30	16	(1,230)
Net change in deferred tax assets and liabilities	32	462	(5,206)
Change in fair value of financial instruments	24	486	418
Change in operating assets and liabilities:			
Trade receivables	15	(13,060)	(6,707)
of which with related parties:		*1,096*	*(899)*
Inventories	14	6,800	(16,120)
Trade payables	28	450	12,020
of which with related parties:		*1,390*	*(77)*
Other current assets and liabilities		(5,411)	(616)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**16,094**	**11,893**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	9	(5,528)	(12,240)
Investments in intangible assets	8	(12,364)	(15,358)
Investments in rights of use	10	(15,006)	(12,362)
(Investments)/disposals of financial assets		(7,643)	(13,097)
of which with related parties:		*1,109*	*(9)*
Assets held for sale		2,576	-
Sale of property, plant and equipment, intangible assets and rights of use	8-9-10	11,924	8,751
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(26,041)**	**(44,306)**
CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	21	32,148	36,165
of which with related parties:		-	*1,899*
Recognition of financial liabilities from rights of use	23	30,804	29,674
of which with related parties:		*(373)*	-
Repayment of medium/long-term loans	21-22	(39,985)	(38,533)
Repayment of financial liabilities from rights of use	23	(25,026)	(14,420)
Net change in short-term financial debt	23-26-27	(2,588)	26,195
of which with related parties:		32,148	*(3,063)*
Other changes	20	1,015	(1,103)
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		**(3,632)**	**37,978**
NET CASH FLOW GENERATED BY/(USED IN) ASSETS/LIABILITIES HELD FOR SALE (D)	**6**	**(10,898)**	**(2,397)**
TOTAL CASH FLOW FOR THE YEAR (E=A+B+C+D)		**(24,477)**	**3,168**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (F)		356	(475)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (G)	19	53,680	50,987
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (H=E+F+G)		**29,559**	**53,680**
Additional information:			
Interest paid		18,000	14,233
Income tax paid		2,967	2,854

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 Group shareholders' equity	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 2023	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,873**	**14,402**	**7,862**	**80,854**	**2,523**	**83,377**
Profit/(loss) for the period	-	-	-	-	-	-	(2,969)	(2,969)	271	(2,698)
Other profit/(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**
Profit/(loss) for the period	-	-	-	-	-	-	(5,181)	(5,181)	364	(4,817)
Other profit/(loss)	-	-	-	-	4,161	(14)	-	4,147	177	4,324
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**(1,034)**	**541**	**(493)**
Allocation of profit for the period	-	168	-	-	-	(3,137)	2,969	-	-	-
Other changes	-	-	-	-	-	(139)	-	(139)	-	(139)
Balance as at 31 December 2024	**15,702**	**2,516**	**39,215**	**(2,341)**	**6,293**	**18,324**	**(5,181)**	**74,528**	**3,084**	**77,612**

Explanatory notes

Accounting and reporting standards adopted in preparing the consolidated financial statements as at 31 December 2024

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 have been listed on the MTA STAR Segment of the Milan Stock Exchange since 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 2024 was authorised by means of the resolution of the Directors on 10 March 2025.

2 Reporting standards

The consolidated financial statements of the Tesmec Group as at 31 December 2024 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 2023, 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 10 March 2025. In the light of the Budget forecasts of the underlying cash flow plan developed by the Management 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 each industrial sector, including the one in which Tesmec operates, whose greenhouse gas emissions are linked both to the direct consumption of the organization, mainly deriving from production plants, but in particular from consumption deriving from the activities carried out by the value chain. For the first time, the Tesmec Group has calculated Scope 3 emissions for the most relevant activities.

The Group's attention to the topic is formalized through 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 during the use phase.

As part of the double relevance analysis, Tesmec has for the first time developed an analysis aimed at identifying and measuring physical and transition risks in order to better manage the topic related to climate change.
The Tesmec Group, as an integral part of its sustainability path, is committed to developing a transition plan for the mitigation of climate change.

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 2024, the consolidation area changed with respect to that as at 31 December 2023:

- on 15 November 2024, the company Tesmec France SAS was established, a 100% subsidiary of Groupe Marais SAS based in Durtal (France). This company was created following a reorganisation of the French subsidiary Groupe Marais, with the aim of concentrating the production and sale of Trenchers in Tesmec France SAS, while the rental activities of its fleet of machines for mechanised cable-laying services will be concentrated in Groupe Marais SAS;

- on 31 December 2024, Tesmec Australia (Pty) Ltd sold its entire shareholding in Marais Laying New Zealand (Pty) Ltd to Tesmec S.p.A. for NZD 3,881 thousand, without however modifying the consolidation area but rather determining exclusively a shift within the Group's organizational chart.

SUBSIDIARIES

(consolidated on a line-by-line basis, by making clear the portion of equity and of non-controlling interests)

				Percentage held	
Name	**Registered office**	**Currency**	**Share capital Currency unit**	**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%
Tesmec France SAS	Durtal (France)	Euro	10,000	-	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)					
				Percentage held	
Name	**Registered office**	**Currency**	**Share capital Currency unit**	**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 company financial years 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	
	2024	**2023**	**2024**	**2023**
US Dollar	1.0824	1.0813	1.0389	1.1050
Russian Rouble	100.2801	92.8741	106.1028	99.1919
Qatari Riyal	3.9399	3.9358	3.7816	4.0222

South African Rand	19.8297	19.9551	19.6188	20.3477
Renminbi	7.7875	7.6600	7.5833	7.8509
Australian Dollar	1.6397	1.6288	1.6772	1.6263
Algerian Dinar	145.0997	146.9354	140.8920	148.2657
New Zealand Dollar	1.7880	1.7622	1.8532	1.7504
Tunisian Dinar	3.3663	3.3556	3.3080	3.3936
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	9,242.8117	9,202.7761	8,936.3023	9,405.8305
Saudi Riyal	4.0589	4.0548	3.8959	4.1438
Moroccan Dirham	10.756	10.956	10,514	10.928

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.

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 2024.

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/(loss) for the year 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.

Assets and liabilities held for sale

Assets and/or groups of non-current assets held for sale ('Assets Held for Sale and Discontinued Operations'), as required by IFRS 5, are classified in a specific item of the balance sheet and are measured at the lower of their previous carrying amount and their market value, net of costs to sell until the assets are sold.

Assets are included in this item of the balance sheet when it is expected that their carrying amount will be recovered through a sale transaction rather than through the normal course of business of the company.
This condition is met only when the sale is highly probable, the asset is available for immediate sale in its current condition and the Board of Directors of the Parent Company has made a commitment for the sale, which should take place within twelve months from the date of classification in this item.

After the sale, the residual values are reclassified to the various items of the balance sheet.
Revenues and costs relating to assets held for sale and/or discontinued operations are shown under the item 'Result from operations sold and/or intended for sale' ('discontinued operations'), if the following conditions established by IFRS 5 apply to such activities:

a. they represent a major independent line of business or geographical areas of activity;
b. they are part of a single coordinated program for the disposal of a major independent line of business or geographical area of activity;
c. they are a subsidiary originally acquired exclusively for the purpose of its sale.

The following components are shown under the income statement item ‘Net profit/(loss) for the period from assets held for sale’, in a single item and net of the related tax effects:

- the result for the period achieved by subsidiaries held for sale, including any adjustment of their net assets to market value (fair value);
- the result relating to the ‘sold’ assets, including the result of the period achieved by the subsidiaries up to the date of transfer of control to third parties, together with the profits and/or losses resulting from the sale.

The equity and economic effects of the assets and liabilities held for sale are shown in note “6 Assets and liabilities held for sale”.

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 approved by the European Union, not yet mandatorily applicable and not early adopted by the group as at 31 December 2024

As at the date of this document, the competent bodies of the European Union completed the approval process required for the adoption of the amendments and standards described below, but these standards are not necessarily applicable and have not been adopted in advance by the Company as at 31 December 2024:

- on 15 August 2023, the IASB published an amendment called "***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability***". The document requires an entity to apply a consistent method for checking whether one currency can be converted into another and, if not, how to determine the exchange rate to be used and the disclosures to be made in the explanatory notes. The amendment will apply beginning on 1 January 2025, but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of this amendment.

3.5 Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

As at the date of this document, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- On 30 May 2024, the IASB published the document "***Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7***". The document clarifies a number of problematic issues that emerged from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (i.e. green bonds). In particular, the amendments aim to:
  - clarify the classification of financial assets with variable returns and linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for the SPPI test;
  - determine that the settlement date of liabilities through electronic payment systems is the date on which the liability is extinguished. However, an entity is permitted to adopt an accounting policy that, under certain specified conditions, allows a financial liability to be derecognised before cash is delivered on the settlement date.

  With these amendments, the IASB also introduced additional disclosure requirements for investments in equity instruments designated as FVOCI.
  The amendments will apply as from the financial statements for years beginning on or after 1 January 2026. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.

- On 18 July 2024, the IASB published a document called "***Annual Improvements Volume 11***". The document contains clarifications, simplifications, corrections and amendments to improve the consistency of various IFRS Accounting Standards. The amended standards are:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IFRS 7 Financial Instruments: Disclosures and the related guidelines on the implementation of IFRS 7;
  - IFRS 9 Financial Instruments;
  - IFRS 10 Consolidated Financial Statements; and
  - IAS 7 Statement of Cash Flows.

The amendments will apply beginning on or after 1 January 2026, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these amendments.

- On 18 December 2024, the IASB published an amendment called "***Contracts Referencing Nature-dependent Electricity - Amendment to IFRS 9 and IFRS 7***". The purpose of this document is to assist entities in reporting the financial effects of contracts to purchase electricity from renewable sources (often structured as Power Purchase Agreements). Based on these contracts, the amount of electricity generated and purchased can vary due to uncontrollable factors such as the weather. The IASB has made targeted amendments to IFRS 9 and IFRS 7. The amendments include:
    - clarifying the application of "own use" requirements to this type of contract;
    - permitting hedge accounting if these contracts are used as hedging instruments; and,
    - adding new disclosure requirements to enable users of financial statements to understand the effect of these contracts on an entity's financial performance and cash flows.

  The amendment will apply beginning on or after 1 January 2026, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.

- On 9 April 2024, the IASB published a new standard ***IFRS 18 Presentation and Disclosure in Financial Statements***, which will replace *IAS 1 Presentation of Financial Statements*. The new standard aims to improve the presentation of financial statements, with particular reference to the income statement. In particular, the new standard requires:
    - revenues and costs to be classified into three new categories (operating, investing and financing sections), in addition to the tax and discontinued operations categories already present in the income statement;
    - Present two new sub-totals, operating income and earnings before interest and taxes (i.e. EBIT).

  The new standard also:
    - requires more information on the performance indicators defined by management;
    - introduces new criteria for the aggregation and disaggregation of information; and,
    - introduces a number of changes to the cash flow statement, including the requirement to use the operating income as the starting point for the presentation of the cash flow statement prepared using the indirect method and the derecognition of certain classification options for some items that currently exist (such as interest paid, interest received, dividends paid and dividends received).

  The new standard will become effective as from 1 January 2027, but early application is permitted. The directors are currently assessing the possible effects of the introduction of this new standard on the Group's consolidated financial statements.

- On 9 May 2024, the IASB published a new standard ***IFRS 19 Subsidiaries without Public Accountability: Disclosures.*** The new standard introduces some simplifications to the information required by the IFRS Accounting Standards in the financial statements of a subsidiary that meets the following requirements:
    - it has not issued, nor is it in the process of issuing, any equity or debt instruments listed on a regulated market;
    - its parent company prepares consolidated financial statements in accordance with IFRS.

  The new standard will become effective as from 1 January 2027, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.

3.6 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 assumptions 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 provisions of IFRS 15 are met, the presence of a substantial motivation (such as a customer's request motivated by objective and substantial circumstances), as well as the circumstance that the product is identified separately and therefore ready to be transferred to the customer without the Group having the right to use it or allocate it to

other customers. 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 2024, there were eight 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 19.2 million, with a positive equivalent value of Euro 151 thousand.

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.

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 2024 financial year (compared to 2023) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2024 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 2024 financial year (compared to 2023) 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 2024 financial year (compared to 2023).
- 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 2024, a parallel shift in the term structure of interest rates of +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2025 financial year of Euro 124 thousand, offset by an increase in the spread received on existing derivatives of Euro 5 thousand. 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 87 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 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.

	Interests					
	31 December 2024			31 December 2023		
(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	212,027	(124)	87	235,430	(143)	100
Total Loans	**212,027***	**(124)**	**87**	**235,430***	**(143)**	**100**
(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	19,222	(5)	1	9,356	4	(1)
Total Derivative instruments	**19,222**	**(5)**	**1**	**9,356**	**4**	**(1)**
Total		**(129)**	**88**		**(139)**	**99**

* The residual debt is considered before amortised costs

	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2024									
(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	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-
Total	**19,222**	**(151)**	**(151)**	**(150)**	**481**	**-**	**(152)**	**(153)**	**488**	**-**
	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)**	**-**

With reference to the situation as at 31 December 2024, 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 481 thousand, with an impact only on the Income statement of the 2025 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 Euro 488 thousand, with an impact only on the Income Statement of the 2025 financial year.
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 Euro 419 thousand, with an impact only on the Income Statement of the 2024 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 2024 and to 2023 financial years, with regard to financial instruments, by residual maturity, is set out below.

	31 December 2024						
Maturity	**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	108,589	3,548	-	-	79,905	47	**192,089**
Between 1 and 2 years	44,648	4,016	1,755	600	-	-	**51,019**
Between 2 and 3 years	22,863	1,480	1,908	444	-	42	**26,737**
Between 3 and 4 years	12,641	862	1,939	285	-	-	**15,727**
Between 4 and 5 years	4,480	538	1,974	120	-	62	**7,174**
Over 5 years	11,230	498	-	-	-	-	**11,728**
Total	**204,451**	**10,942**	**7,576**	**1,449**	**79,905**	**151**	**304,474**

	31 December 2023						
Maturity	**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	42,686	3,295	-	-	-	(170)	**45,811**
Between 2 and 3 years	36,555	4,083	-	-	-	-	**40,638**
Between 3 and 4 years	19,383	1,048	-	-	-	(165)	**20,266**
Between 4 and 5 years	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

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 2024 and 31 December 2023).

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 2024 financial year (compared to 2023) 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 2024 financial year (compared to 2023 calculated) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

	2024 Exposure in foreign currency (USD)			2024 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	21,740	-	21,740	(1,046)	1,046
Financial receivables	5,755	-	5,755	(178)	178
Trade payables	8	(6,815)	(6,807)	328	(328)
Total gross exposure with regard to equity items	**27,503**	**(6,815)**	**20,688**	**(896)**	**896**
Derivative instruments	-	-	-	-	-

	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	-	-	-	-	-

	2024 Exposure in foreign currency (ZAR)			2024 Sensitivity	
Exposure with regard to equity items	**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	90,010	-	90,010	(229)	229
Financial receivables	44,755	-	44,755	-	-
Trade payables	-	-	-	(328)	328
Total gross exposure with regard to equity items	**134,765**	**-**	**134,765**	**(557)**	**557**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (ZAR) Assets (ZAR/000)	Liabilities (ZAR/000)	Net (ZAR/000)	2023 Sensitivity 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	2024 Exposure in foreign currency (AUD) Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	2024 Sensitivity Income statement EUR/AUD exchange rate +5% (EUR/000)	Income statement EUR/AUD exchange rate -5% (EUR/000)
Trade receivables	3,621	-	3,621	(108)	108
Financial receivables	29,315	-	29,315	(874)	874
Trade payables	-	(770)	(770)	23	(23)
Total gross exposure with regard to equity items	**32,936**	**(770)**	**32,166**	**(959)**	**959**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (AUD) Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	2023 Sensitivity 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	2024 Exposure in foreign currency (CNY) Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	2024 Sensitivity Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	250	-	250	(2)	2
Financial receivables	13,496	-	13,496	(89)	89
Trade payables	-	(1,571)	(1,571)	10	(10)
Total gross exposure with regard to equity items	**13,746**	**(1,571)**	**12,175**	**(81)**	**81**
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	2024 Exposure in foreign currency (RUB)			2024 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	55,478	-	55,478	(24)	24
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**55,478**	**-**	**55,478**	**(24)**	**24**
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	2024 Exposure in foreign currency (NZD)			2024 Sensitivity	
	Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	372	-	372	(10)	10
Financial receivables	2,211	-	2,211	(60)	60
Trade payables	-	(200)	(200)	5	(5)
Total gross exposure with regard to equity items	**2,583**	**(200)**	**2,383**	**(65)**	**65**
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	-	-	-	-	-

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 2024	2023
NON-CURRENT ASSETS:		
Receivables and other financial assets	9,731	11,658
Derivative financial instruments	72	335
Non-current trade receivables	2,912	2,575
CURRENT ASSETS:		
Trade receivables	55,429	45,643
Financial receivables	35,740	27,888
Derivative financial instruments	13	-
Cash and cash equivalents	29,559	53,680

(Euro in thousands)	31 December 2024	2023
NON-CURRENT LIABILITIES:		
Financial payables	72,548	92,007
Non-current bond issue	7,576	-
Non-current financial liabilities and rights of use	23,314	29,849
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	98,135	102,565
Current bond issue	0	1,246
Current financial liabilities and rights of use	10,454	9,398
Trade payables	79,905	82,842
Advances from customers	3,247	2,611

(Euro in thousands)	31 December 2024	2023
NON-CURRENT LIABILITIES:		
Financial payables	72,548	92,007
Non-current bond issue	7,576	-
Non-current financial liabilities and rights of use	23,314	29,849
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	98,135	102,565
Current bond issue	0	1,246
Current financial liabilities and rights of use	10,454	9,398
Trade payables	79,905	82,842
Advances from customers	3,247	2,611

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	9,731	-	-
Derivative financial instruments	-	-	72
Non-current trade receivables	2,912	-	-
Total non-current	**12,643**	**-**	**72**
Trade receivables	53,599	-	-
Trade receivables from related parties	1,830	-	-
Financial receivables from third parties	34,244	-	-
Financial receivables from related parties	1,496	-	-
Derivative financial instruments	-	-	13
Cash and cash equivalents	-	29,559	-
Total current	**91,169**	**29,559**	**13**
Total	**103,812**	**29,559**	**85**
Financial liabilities:			
Medium/long-term loans	70,649	-	-
Medium/long-term loans due to related parties	1,899	-	-
Bond issue	7,576	-	-
Non-current financial liabilities from rights of use	19,533	-	-
Non-current financial liabilities from rights of use to related parties	3,781	-	-
Derivative financial instruments	-	-	176
Total non-current	**103,438**	**-**	**176**
Interest-bearing financial payables (current portion)	97,054	-	-
Financial payables to related parties	1,081	-	-
Current bond issue	-	-	-
Current financial liabilities from rights of use	7,740	-	-
Current financial liabilities from rights of use to related parties	2,714	-	-
Derivative financial instruments	-	-	60
Trade payables due to third-parties	77,275	-	-
Trade payables due to related parties	2,630	-	-

Advances from customers	3,247	-	-
Total current	**191,741**	**-**	**60**
Total	**295,179**	**-**	**236**

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 2024**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	72	-	72	-
Total non-current	**72**	**-**	**72**	**-**
Derivative financial instruments	13		13	
Total current	**13**	**-**	**13**	**-**
Total	**85**	**-**	**85**	**-**
Financial liabilities:				
Derivative financial instruments	176	-	176	-
Total non-current	**176**	**-**	**176**	**-**
Derivative financial instruments	60	-	60	-
Total current	**60**	**-**	**60**	**-**
Total	**236**	**-**	**236**	**-**

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 preparing these consolidated financial statements, in consideration of the results of the main subsidiaries that correspond to the CGUs identified in the consolidated financial statements, no general indicators of impairment were identified. However, it is noted that the book value of consolidated equity at 31 December 2024, equal to Euro 77.6 million, remains more significant than that already recorded at the end of the previous financial year, higher than the market capitalization at the same date, equal to Euro 40.6 million, further decreased in the months following the end of the financial year. Although it is believed that this trend is related to the volatility of market prices, as well as to the general trend of the stock market with reference to "thin" securities, the Directors have considered that this circumstance represents a "trigger event" that makes it necessary to carry out impairment tests on the Group's non-current assets pursuant to IAS 36.

Finally, note 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. It should be noted that the carrying amount of the CGUs is given by their Net Capital Invested (NCI) value.

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 2025 Budget and of the 2026-2028 Business Plan approved by the Board of Directors on 10 March 2025, together with the impairment test. 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, but not limited to, 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 period and may be affected not only by developments in the reference markets, but also by the current context of uncertainty related to the ongoing geopolitical situation, the effects of which are still unfolding. 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. However, these policies are beyond the control of the Tesmec Group. 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 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 to discount the operating cash flows of the explicit period and to calculate the terminal value was determined for the Group as a whole and then to a different extent depending on the reference country of the CGU subject to impairment testing, as detailed in the following table:

	Carrying amount 2024 *(Euro in thousands)*	Carrying amount 2023 *(Euro in thousands)*	WACC 31 December 2024	WACC 31 December 2023
Consolidated Tesmec	**224,563**	**231,742**	**12.73%**	**12.78%**
Tesmec S.p.A. (Italy)	31,942	N/A	11.36%	N/A
Tesmec USA, Inc. (United States)	43,258	45,709	14.03%	13.70%
Tesmec Australia (Australia)	4,406	5,585	12.01%	11.90%
Marais Laying NZ (New Zealand)	3,201	N/A	12.01%	N/A
Tesmec Saudi Arabia (Saudi Arabia)	(151)	3,804	12.35%	12.00%
Consolidated Marais (France)	26,714	17,360	12.16%	12.40%
Tesmec Automation S.r.l. (Italy)	24,171	21,879	11.43%	12.00%
4 Service Combined	26,671	30,566	11.36%	11.90%
Tesmec Rail S.r.l. (Italy)	46,349	38,068	12.94%	12.70%
Tesmec SA (South Africa)	5,806	4,711	19.17%	19.00%

Tesmec Peninsula WLL (Qatar)	2,611	5,276	12.11%	12.40%
Tesmec New Technology (Beijing) LTD (China)	432	(292)	9.97%	10.10%
Condux Tesmec (United States) – JV equity method	6,932	13,813	11.86%	11.60%
East Trenchers S.r.l. (Italy)	411	619	11.36%	11.90%
Tesmec Russia (Russia)	(1,808)	N/A	17.41%	N/A

The estimate of the reference WACCs compared with the same estimate made as at 31 December 2023 shows the general stability of the rates adopted. To estimate cash flows beyond the explicit forecast period, the terminal value was determined based on a growth rate *g* of 1% to 3%, depending on the CGU of reference, 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 that are different from those expected in uncontrollable external variables.
In this context, a sensitivity analysis was carried out to check the change in the value in use 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 analysis, note that a 2% increase in WACC would not result in an impairment and the adoption of a growth rate g equal to one unit would not result in an impairment.

Furthermore, in order to take into account in the sensitivity analyses certain different trends in the actual results of the 2024 financial year compared to the forecasts included in the Group's plans and those of the individual CGUs developed in the previous financial year and therefore, implicitly, the unpredictability inherent in the trend of the exogenous variables that influence the company's results, as well as the effectiveness of management's actions, further sensitivity analyses were carried out that incorporate a WACC corrective factor of 4%, representative of the high risk of execution of the company plans. These analyses did not reveal any impairment losses with reference to the consolidated financial statements as a whole. With reference to certain CGUs, however, the sensitivity analysis highlighted an impairment risk, specifically with reference to the Tesmec USA CGU for approximately Euro 5.2 million, to the 4 Service combined CGU for approximately Euro 2.7 million and to the Condux Tesmec CGU for approximately Euro 2.0 million (classified among joint ventures and valued according to the equity method). If the plan of the aforementioned CGUs were not to be implemented in whole or in part, the risk of impairment could manifest itself through the recognition of a loss of value during the 2025 financial year or subsequent financial years.

When preparing the interim reports expected for the current year, as required by IAS 36, the existence of impairment indicators that could make it necessary to update the impairment test will be checked.

6 Assets and liabilities held for sale

On 20 December 2024, a Binding Termsheet was signed with a third party, OT Engineering (a French company belonging to the Comergy group), based in Meylan (Grenoble) and operating in the trencher rental sector, which provides, in successive steps, for OTE to acquire a stake in the capital of Groupe Marais SA and for the latter to contribute its fleet of trenchers in order to create a centre specialised in this specific field of activity. The agreement provides for a 50% equal shareholding by Tesmec and the third party shareholder, to be finalised in subsequent steps, with governance rules reflecting a situation of joint control. On the same date, 20 December 2024, OTE acquired a stake in Groupe Marais and the shareholders' meeting decided to appoint Philippe Todesco, former chairman of the board of directors of OTE, as chairman of the board of directors with effect from 7 January 2025. Completion of all the steps defined in the Binding Termsheet to complete the transaction is expected in the first half of the 2025 financial year.

This strategic agreement is aimed at further strengthening the Group's competitive position and increasing synergies between the various divisions to further develop the local market.

As at 31 December 2024, the transfer of control of Group Marais by the Tesmec Group has not yet been completed; however, in the light of the contractual provisions contained in the Binding Termsheet, the successful completion of the transaction is highly probable, as confirmed by the fulfilment, after the reporting period, of further requirements contained in the aforementioned Binding Termsheet. This circumstance leads us to conclude that the assets and liabilities of Group Marais should be presented on a single line in the statement of financial position of the consolidated financial statements specifically provided for assets and liabilities held for sale.

From another point of view, considering the strategic importance of the rental business in the French market and in the Group's trencher segment, the impact of its revenues on the rental revenues of the trencher segment (approximately 47%) and on the total revenues of the trencher segment (approximately 11%), as well as the relevance of the impact of the net result of the assets held for sale (net loss equal to Euro 5,036 thousand) compared to the net result of the continuing operations (net profit of Euro 236 thousand), it is considered that the trencher rental business operating in France represents a "major line of business" as it represents a significant independent line of business operating in a specific geographic area and as it is part of a single coordinated program for the divestment of a significant independent line of business operating in a specific geographic area for the Group and as required by IFRS 5, as the likelihood of a sale in the short term is high, the economic elements subject to sale were reclassified from specific revenue/costs to "Net loss for the year of assets held for sale".
The economic and financial values of the assets held for sale are shown below:

Income statement of assets held for sale

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Revenues from sales and services	**13,210**	**15,877**
Cost of raw materials and consumables	(2,171)	(2,513)
Costs for services	(3,751)	(4,336)
Payroll costs	(5,558)	(6,715)
Other net operating costs/revenues	(1,806)	(1,125)
Amortisation/Depreciation	(3,348)	(3,153)
Total operating costs	**(16,634)**	**(17,842)**
Operating income	**(3,424)**	**(1,965)**
Financial expenses	(1,651)	(1,242)
Financial income	65	92
Pre-tax profit/(loss)	**(5,010)**	**(3,115)**
Income tax	(43)	718
Net loss for the year of assets held for sale	**(5,053)**	**(2,397)**

Balance sheet: assets/liabilities held for sale

	31 December
(Euro in thousands)	**2024**
NON-CURRENT ASSETS	
Intangible assets	720
Property, plant and equipment	5,030
Rights of use	5,692
Financial receivables and other non-current financial assets	615
Deferred tax assets	1,413
TOTAL NON-CURRENT ASSETS	**13,470**
CURRENT ASSETS	
Inventories	124
Trade receivables	4,117
Financial receivables and other current financial assets	-
Other current assets	726

Cash and cash equivalents	1,160
TOTAL CURRENT ASSETS	**6,127**
TOTAL ASSETS	**19,597**
NON-CURRENT LIABILITIES	
Medium/long-term loans	2,817
Non-current financial liabilities from rights of use	8,000
Employee benefit liability	142
Deferred tax liabilities	567
TOTAL NON-CURRENT LIABILITIES	**11,526**
CURRENT LIABILITIES	
Interest-bearing financial payables (current portion)	3,343
Current financial liabilities from rights of use	2,627
Trade payables	4,476
Advances from customers	7
Provisions for risks and charges	256
Other current liabilities	1,437
TOTAL CURRENT LIABILITIES	**12,146**
TOTAL LIABILITIES	**23,672**
NET ASSETS HELD FOR SALE	**(4,075)**

Cash flows: assets/liabilities held for sale

	Financial year ended 31 December
(Euro in thousands)	**2024**
Net loss for the year of assets held for sale	**(5,053)**
Net cash flow generated by operating activities (A)	(6,058)
Net cash flow generated by investing activities (B)	(1,225)
Net cash flow generated by /(used in) financing activities (C)	(3,615)
NET CASH FLOW GENERATED BY/(USED IN) ASSETS/LIABILITIES HELD FOR SALE (D)	**(10,898)**

7 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

8 Intangible assets

The breakdown of *Intangible assets* as at 31 December 2024 and as at 31 December 2023 is indicated in the table below:

	31 December					
	2024			2023		
(Euro in thousands)	Historical cost	Accum. amort.	Net value	Historical cost	Accum. amort.	Net value
Start-up and expansion costs	12	(5)	7	12	(3)	9
Development costs	92,402	(63,836)	28,566	83,235	(68,298)	14,937
Rights and trademarks	14,251	(11,048)	3,203	15,135	(10,038)	5,097
Other intangible assets	3,246	(525)	2,721	757	(58)	699
Goodwill	3,014	-	3,014	3,014	-	3,014
Assets in progress	4,727	-	4,727	15,592	-	15,592
Total intangible assets	**117,652**	**(75,414)**	**42,238**	**117,745**	**(78,397)**	**39,348**

The following table shows the changes in intangible assets for the year ended as at 31 December 2024:

(Euro in thousands)	1 January 2024	Increases due to purchases	Reclassifications	Decreases	Amortisation	Assets held for sale	Exchange rate differences	31 December 2024
Start-up and expansion costs	9	-	-	-	(2)	-	-	7
Development costs	14,937	6,388	13,952	-	(6,541)	(179)	9	28,566
Rights and trademarks	5,097	432	316	(7)	(1,833)	(828)	26	3,203
Other intangible assets	699	1,942	312	25	(257)	-	-	2,721
Goodwill	3,014	-	-	-	-	-	-	3,014
Assets in progress	15,592	3,602	(14,443)	(24)	-	-	-	4,727
Total intangible assets	**39,348**	**12,364**	**137**	**(6)**	**(8,633)**	**(1,007)**	**35**	**42,238**

As at 31 December 2024, intangible assets net of amortisation totalled Euro 42,238 thousand, up Euro 2,890 thousand mainly due to the increase in
development costs related to the rail segment. The recoverability of the item intangible assets, which in total represents 54% 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 2025-2028 Business Plan, approved by the Board of Directors on 10 March 2025. 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 assets.

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**

9 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2024 and as at 31 December 2023 is indicated in the table below:

	31 December					
	2024			2023		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	4,090	-	4,090	4,393	-	4,393
Buildings	21,289	(8,937)	12,352	24,020	(9,661)	14,359
Plant and machinery	17,154	(13,529)	3,625	21,963	(16,575)	5,388
Equipment	10,603	(9,061)	1,542	11,664	(10,471)	1,193
Other assets	27,282	(16,382)	10,900	40,533	(21,977)	18,556
Assets in progress	1,651	-	1,651	1,192	-	1,192
Total property, plant and equipment	**82,069**	**(47,909)**	**34,160**	**103,765**	**(58,684)**	**45,081**

The following table shows the changes in property, plant and equipment for the year ended 31 December 2024:

(Euro in thousands)	1 January 2024	Increases due to purchases	Reclassifications	Decreases	Depreciation	Assets held for sale	Exchange rate differences	31 December 2024
Land	4,393	-	-	-	-	(316)	13	4,090
Buildings	14,359	27	-	-	(506)	(1,834)	306	12,352
Plant and machinery	5,388	465	1,268	(120)	(650)	(2,757)	31	3,625
Equipment	1,193	948	66	(9)	(454)	(219)	17	1,542
Other assets	18,556	2,872	(3,712)	(3,629)	(2,946)	(784)	543	10,900
Assets in progress	1,192	1,216	(759)	(1)	-	-	3	1,651
Total property, plant and equipment	**45,081**	**5,528**	**(3,137)**	**(3,759)**	**(4,556)**	**(5,910)**	**913**	**34,160**

As at 31 December 2024, property, plant and equipment totalled Euro 34,160 thousand, down compared to the previous year by Euro 10,921 thousand.

The change is mainly due to the decrease in "Other assets" of Euro 7,656 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 2023:

	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**

10 Rights of use

The breakdown in *Rights of use* as at 31 December 2024 and as at 31 December 2023:

	31 December					
	2024			2023		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	21,065	(13,889)	7,176	18,402	(11,450)	6,952
Plant and machinery - Rights of use	3,021	(449)	2,572	1,729	(144)	1,585
Equipment - Rights of use	1,310	(375)	935	1,310	(71)	1,239
Other assets - Rights of use	16,360	(3,670)	12,690	28,471	(9,379)	19,092
Total rights of use	**41,756**	**(18,383)**	**23,373**	**49,912**	**(21,044)**	**28,868**

The following table shows the changes in rights of use for the year ended 31 December 2024:

(Euro in thousands)	1 January 2024	Increases due to purchases	Reclassifications	Decreases	Depreciation	Assets held for sale	Exchange rate differences	31 December 2024
Buildings - rights of use	6,952	3,897	-	(10)	(3,443)	(237)	17	7,176
Plant and machinery - rights of use	1,585	1,315	-	-	(313)	(15)	-	2,572
Equipment - rights of use	1,239	-	-	-	(304)	-	-	935
Other assets - rights of use	19,092	9,794	3,000	(8,149)	(3,417)	(7,619)	(11)	12,690
Total rights of use	**28,868**	**15,006**	**3,000**	**(8,159)**	**(7,477)**	**(7,871)**	**6**	**23,373**

The item rights of use as at 31 December 2024 amounted to Euro 23,373 thousand and decreased by Euro 5,495 thousand compared to the previous financial year in relation to the termination of leasing contracts for the fleet of trencher machinery.
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**

11 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 2024 and 2023 is indicated in the table below:

	31 December	
(Euro in thousands)	2024	2023
Associates:		
Locavert SA	735	732
Subtotal	**735**	**732**
Joint Ventures:		
Condux Tesmec Inc	6,331	5,553
Subtotal	**6,331**	**5,553**
Total Equity investments in associates evaluated using the equity method	**7,066**	**6,285**

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 2024 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 2024							
(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 %	838	5	1,010	275	735	735	-
Joint Ventures:								
Condux Tesmec Inc.	50.00 %	6,892	368	9,039	2,647	6,392	6,331	-
Marais Lucas Technologies Pty Ltd.	50.00 %	-	-	176	1,882	(1,706)	-	1,706

The impairment test carried out with reference to Condux Tesmec did not reveal any lasting losses of value. For information on this matter, please refer to the previous paragraph 5.

12 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Guarantee deposits	25	643
Financial receivables from third parties	9,706	11,015
Total financial receivables and other non-current financial assets	**9,731**	**11,658**

The item *Financial receivables and other non-current financial assets* decreased by Euro 1,927 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 900 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 856 thousand, down compared to the previous year. 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.
As reported in note 6 *Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 615 thousand.

Current assets

13 Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 31 December 2024 and as at 31 December 2023:

(Euro in thousands)	31 December 2024	31 December 2023
Work in progress (Gross)	67,808	65,583
Advances from contractors	(31,074)	(36,336)
Work in progress contracts	**36,734**	**29,247**

"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.

14 Inventories

The following table provides a breakdown of *Inventories* as at 31 December 2024 compared to 31 December 2023:

(Euro in thousands)	31 December 2024	31 December 2023
Raw materials and consumables	60,466	77,852
Work in progress	10,211	8,409
Finished products and goods for resale	22,610	19,753
Advances to suppliers for assets	2,847	4,607
Total inventories	**96,134**	**110,621**

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 decreased by 13.1%, equal to Euro 14,487
thousand. The changes in the provisions for inventory obsolescence for the years ended 31 December 2024 and 2023 are indicated below:

(Euro in thousands)	Financial year ended 31 December 2024	Financial year ended 31 December 2023
Value as at 1 January	8,095	7,708
Provisions	2,360	970
Reclassification	33	-
Uses	(1,948)	(491)
Exchange rate differences	150	(92)
Total provisions for inventory obsolescence	**8,690**	**8,095**

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.

15 Trade receivables

The table below shows the breakdown of trade receivables as at 31 December 2024 and 2023:

(Euro in thousands)	31 December 2024	31 December 2023
Trade receivables from third-party customers	53,599	42,717

Trade receivables from related parties	1,830	2,926
Total trade receivables	**55,429**	**45,643**

For terms and conditions relating to receivables from related parties, refer to paragraph 41.

Trade receivables as at 31 December 2024 amounted to Euro 54,429 thousand, up by Euro 9,786 thousand compared to the 2023 financial year. As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 4,117 thousand.

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 2024 and 2023 are indicated in the table below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Value as at 1 January	9,745	5,875
Increases	2,401	4,562
Provisions	319	806
IFRS 5 reclassification	(2,109)	-
Uses	(407)	(544)
Reclassifications	-	(899)
Exchange rate differences	(88)	(55)
Total provisions for doubtful accounts	**9,861**	**9,745**

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 2025.

16 Tax receivables

The following table sets forth the breakdown of tax receivables as at 31 December 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
IRAP receivables	360	523
IRES receivables	727	1,054
Other direct income taxes	1,579	1,602
Total tax receivables	**2,666**	**3,179**

The item *tax receivables* decreased compared to the previous financial year of Euro 513 thousand mainly due to the increase in direct taxes of foreign subsidiaries.

17 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 2024 and 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Financial receivables from related parties	1,496	2,605

Financial receivables from third parties	34,160	25,212
Other current financial assets	84	71
Total financial receivables and other current financial assets	**35,740**	**27,888**

The increase in *current financial assets* from Euro 27,888 thousand to Euro 35,740 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 310 thousand and Marais Lucas of Euro 794 thousand.

18 Other current assets

The following table sets forth the breakdown of other current assets as at 31 December 2024 and as at 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Prepaid expenses	5,070	4,699
VAT credit	3,359	2,286
Other receivables	2,436	1,788
Advance to suppliers for services	1,767	2,779
Other tax receivables	1,096	1,451
Total other current assets	**13,728**	**13,003**

Other current assets were considered receivable and therefore were not subject to value adjustment. As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 726 thousand.

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).

19 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2024 and as at 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Bank and post office deposits	29,521	53,538
Cash on hand	28	31
Other cash	10	111
Total cash and cash equivalents	**29,559**	**53,680**

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 2024 amounted to Euro 29,559 thousand and decreased by Euro 24,121 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.

20 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 2024 and as at 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Revaluation reserve	86	86
Extraordinary reserve	36,292	36,292
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(276)	(262)
Network reserve	825	825
Other reserves	(18,112)	(14,836)
Total other reserves	**18,324**	**21,614**

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 had a positive impact on Shareholders' Equity of Euro 3,184 thousand as at 31 December 2024.

As a result of the resolution of 18 April 2024, with the approval of the 2023 financial statements, the Shareholders' Meeting decided to carry forward the profit for the year of the Parent Company of Euro 3,192 thousand and allocate it to the legal reserve of Euro 168 thousand.

Non-current liabilities

21 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 2024 and as at 31 December 2023, with separate disclosure of total loans and current portion:

	31 December			
(Euro in thousands)	**2024**	**of which current portion**	**2023**	**of which current portion**
Domestic fixed-rate bank loans	29,751	11,432	30,911	9,568
Domestic floating-rate bank loans	54,987	20,412	68,877	22,931
Foreign fixed-rate bank loans	2,356	1,519	1,128	249
Foreign floating-rate bank loans	13,443	1,243	21,177	3,955
Shareholder loan	2,099	200	2,099	200
Total medium/long-term loans	**102,636**	**34,806**	**124,192**	**36,903**
less current portion	(34,806)		(36,903)	
Non-current portion of medium/long-term loans	**67,830**		**87,289**	
Medium/long-term loan due to Simest	4,718	-	4,718	-
less current portion	-		-	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**72,548**	**34,806**	**92,007**	**36,903**

As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 2,817 thousand.

Some loan contracts, the residual value of which at the end of the reporting year amounted to Euro 57.3 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.

At the end of the reporting period, all existing covenants were complied with, with the exception of the covenant insisting on the loan of the subsidiary Marais Laying New Zealand (Pty) Ltd., whose residual debt at the balance sheet date is equal to Euro 0.1 million, for which, however, the relevant waiver was already obtained from the lending bank for the fourth quarter of 2024 and the first quarter of 2025 before the end of the financial year.

It should be noted that the net financial position derived from the financial statements and used to calculate the covenants does not include the financial payables relating to Groupe Marais, which have been reclassified in accordance with IFRS 5. If the Group had also included these payables in the net financial position, the covenants relating to some of the existing loans would not have been met, resulting in the reclassification to short-term of financial payables amounting to Euro 6,845 thousand due to the termination of the benefit of the time limit envisaged in the relevant loan contracts, with possible impacts on the verification of the Group's ability to meet its obligations in the foreseeable future of 12 months from the end of the reporting period.

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, for 2025, 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 2024	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	29,751	11,432	14,839	3,480
Domestic floating-rate bank loans	54,987	20,412	34,575	-
Foreign fixed-rate bank loans	2,356	1,519	837	-
Foreign floating-rate bank loans	13,443	1,243	4,501	7,699
Shareholder loan	2,099	200	1,899	-
Total	**102,636**	**34,806**	**56,651**	**11,179**

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 2024, 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)	**2024**	***of which with related parties and group***	**2023**	***of which with related parties and group***
Cash and cash equivalents	(29,559)		(53,680)	
Current financial assets	(35,740)	*(1,496)*	(27,888)	*(2,605)*
Current financial liabilities	98,135	*1,081*	103,811	*1,081*
Current financial liabilities from rights of use	10,454	-	9,398	-
Current portion of derivative financial instruments	47		-	
Current financial indebtedness	**43,337**	***(415)***	**31,641**	***(1,524)***
Non-current financial liabilities	80,124	*1,899*	92,007	*1,899*
Non-current financial liabilities from rights of use	23,314		29,849	
Non-current portion of derivative financial instruments	176		-	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	**103,614**	***1,899***	**121,856**	***1,899***
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**146,951**	***1,484***	**153,497**	***375***
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	**146,951**	***1,484***	**153,497**	***375***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2024, is equal to Euro 113,183 thousand with a decrease of Euro 1,067 thousand compared to the end of 2023.

It should also be noted that, in accordance with IFRS 5, as at 31 December 2024, net financial liabilities for Euro 15,627 thousand was reclassified to the item "Assets and liabilities held for sale", of which Euro 4,810 thousand is short-term and Euro 10,817 thousand is long-term; for further details please refer to paragraph *6 Assets and liabilities held for sale* in the explanatory notes.

The net financial indebtedness as at 31 December 2024 decreased by Euro 6,546 thousand compared to the end of 2023 (-4.3%). This decrease is due to the reclassification, in accordance with IFRS 5, of financial liabilities amounting to Euro 15,627 thousand relating to the trencher rental business operating in France (Groupe Marais) to "Assets and liabilities held for sale", of which Euro 4,810 thousand are short-term and Euro 10,817 thousand are long-term; for further details please refer to paragraph *6 Assets and liabilities held for sale* in the explanatory notes.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 11,696 thousand due to the:
    - decrease in cash and cash equivalents and current financial assets of Euro 16,269 thousand;
    - decrease in current financial liabilities of Euro 5,676 thousand mainly due to the reclassification of the financial liabilities of Groupe Marais mentioned above, and due to the short-term reclassification to short-term of the portions to be reimbursed in 2025;
- decrease in medium/long-term financial indebtedness of Euro 18,242, mainly due to the reclassification of the Groupe Marais financial liabilities mentioned above.

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 are deemed to have been met as at 31 December 2024, taking into account the reclassification in accordance with IFRS 5 mentioned above.

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 7,962 thousand (Euro 6,122 thousand as at 31 December 2023).

22 Non-current bond issue

The item relating to the non-current bond loan increased by Euro 7,576 thousand following the placement of a new non-convertible, unlisted and unsecured bond loan, called “Tesmec S.p.A. Euribor 6M + 3,65% 2024-2029 - Amort Euro 8.000.000”, represented by 80 bearer securities with a unit nominal value of Euro 100,000 and a total principal amount of Euro 8 million. The Bond Issue, fully subscribed by Mediocredito Centrale, Finlombarda S.p.A., the financial company of the Lombardy Region, and Banca Finint S.p.A., will expire on 19 December 2029 and have an annual gross nominal variable interest rate equal to the 6M Euribor rate + 3.65%, net of any step-ups related to compliance with certain financial parameters, with a grace period of 12 months. As at 31 December 2024, the residual debt amounted to Euro 7,576 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.

23 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2,023**
Non-current financial liabilities from rights of use	23,314	29,849
Current financial liabilities from rights of use	10,454	9,398
Total financial liabilities from rights of use	**33,768**	**39,247**

The balance of financial liabilities from rights of use as at 31 December 2024 amounted to Euro 33,768 thousand and decreased by Euro 5,479 thousand compared to the previous year following the closing of lease contracts relating to trencher machines. As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased overall by Euro 10,627 thousand.

24 Derivative financial instruments

The Group signed some contracts related to derivative financial instruments whose contractual characteristics and related fair value as at 31 December 2024 and 2023 are shown in the table below:

Counterparties	**Type**	**Debt interest rate (fixed)**	**Credit interest rate (variable)**	**Start date**	**Maturity date**	**Notional principal (Euro)**	**Fair Value as at 31 December (Euro/000)**	
							2024	**2023**
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01 February 2019	30 June 2025	142,857	2	12
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01 July 2020	30 June 2025	526,316	5	45
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18 May 2020	31 March 2025	833,333	6	113

INTESA	IRS	Fixed interest rate - 0.18%	3-month Euribor	20 July 2021	30 June 2027	2,272,727	72	165
Credite Agricole	CAP	Fixed interest rate USD/EUR 1.1090	-	04 October 2024	15 January 2025	1,000,000	(60)	-
BCC Leasing	CAP	Fixed interest rate 2.94%	3-month Euribor	30 September 2024	31 March 2029	3,600,000	(62)	-
BCC Leasing	CAP	Fixed interest rate 3.05%	3-month Euribor	30 September 2024	30 June 2027	10,000,000	(114)	-
Assets for derivative instruments within the financial year							**13**	**-**
Assets for derivative instruments beyond the financial year							**72**	**335**
Liabilities for derivative instruments within the financial year							**(60)**	**-**
Liabilities for derivative instruments beyond the financial year							**(176)**	**-**

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.

25 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 2024 and 31 December 2023 of employee benefits:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Present value of the liability at the beginning of the period	4,110	3,958
Financial expense	116	124
Benefits accrued	142	189
Benefits paid	(472)	(358)
Loss (profit)	19	197
Present value of the liability at the end of the period	**3,915**	**4,110**

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)	**2024**	**2023**
Annual discount rate	3.40%	3.20%
Inflation rate	2.00%	2.50%
Total annual salary increase rate	3.00%	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.

(Euro in thousands)	Discount rate 0.50%	-0.50%
Effect on the aggregate current cost of the service and of the financial expenses	146	119
Reported value for liabilities with respect to defined benefit plans	3,732	4,109

Technical and demographic bases

(Euro in thousands)	Financial year ended 31 December 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

(Euro in thousands)	Financial year ended 31 December 2024	2023
Advance frequency %	1.02%	1.53%
Turnover frequency %	3.60%	6.10%

Current liabilities

26 Interest-bearing financial payables (current portion)

The following table sets forth the breakdown of *Interest-bearing financial payables (current portion)* for the 2024 financial year and the financial year as at 31 December 2022:

(Euro in thousands)	31 December 2024	2023
Advances from banks against invoices and bills receivables	52,339	54,149
Payables due to factoring companies	10,005	10,448
Current account overdrafts	104	138
Short-term loans to third parties	-	44
Current portion of medium/long-term loans	34,606	36,705
Financial payables to related parties	1,081	1,081
Total interest-bearing financial payables (current portion)	**98,135**	**102,565**

As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 3,343 thousand.

Interest-bearing financial payables (current portion) decreased by Euro 4,430 thousand, mainly due a lower use of the export advance lines of Euro 1,810 thousand and the decrease in the current portion of medium/long-term loans of Euro 2,099 thousand due to the short-term reclassification of the portions to be repaid in 2024.
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.

27 Current bond issue

The item related to the current bond issue decreased by Euro 1,246 thousand as a result of the repayment 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 Bond Issue, placed by Banca Finint, was repaid on 30 June 2024.

28 Trade payables

The breakdown of *Trade payables* as at 31 December 2024 and as at 31 December 2023, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2024**	**2023**
Trade payables due to third-party suppliers	77,275	81,602
Trade payables due to related parties	2,630	1,240
Total trade payables	**79,905**	**82,842**

Trade payables as at 31 December 2024 decreased by Euro 2,937 thousand or 3.5% compared to the previous year. As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 4,476 thousand.
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.

29 Income taxes payable

The breakdown of *Income taxes payable* as at 31 December 2024 and as at 31 December 2023, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2024**	**2023**
Current IRES tax liabilities	1,569	2,031
Current IRAP tax liabilities	791	786
Current USA tax liabilities	158	66
Other current taxes	672	168
Total income taxes payable	**3,190**	**3,051**

IRES and IRAP tax liabilities as at 31 December 2024 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.

30 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 2024 and as at 31 December 2023 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Value as at 1 January	2,837	3,759
Provisions	50	387
Reclassifications	33	(64)
IFRS 5 reclassification	(256)	-
Uses	(78)	(1,230)
Exchange rate differences	23	(15)
Value as at 31 December	**2,609**	**2,837**

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 *45 Legal and tax disputes below*.

31 Other current liabilities

The following table sets forth the breakdown of *other current liabilities* as at 31 December 2024 and as at 31 December 2023:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Due to social security	1,515	2,419
Due to trade funds	(110)	(120)
Due to employees and collaborators	3,799	4,411
VAT debit	1,196	2,541
Due to others	2,128	1,156
Accrued expenses and liabilities	4,980	11,200
Other current taxes	2,415	1,910
Total other current liabilities	**15,923**	**23,517**

Other current liabilities decreased compared to the prior financial year of Euro 7,594 thousand and mainly refers to the decrease in *Accrued expenses and liabilities* of Euro 6,220 thousand. As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the item decreased by Euro 1,437 thousand. This item includes certain past due pension liabilities that were settled after the reporting year.
This item also includes Euro 1,291 thousand relating to past due payables from tax authorities for withholdings on employees for which offsetting with VAT credits is expected at the end of the reporting period.

32 Income taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2024 and as at 31 December 2023:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Deferred tax assets	14,748	21,939
Deferred tax liabilities	1,615	7,830

As reported in note *6 Assets and liabilities held for sale*, by virtue of the application of IFRS 5, the items decreased by Euro 1,413 thousand and Euro 567 thousand, respectively.

The breakdown of net deferred taxes as at 31 December 2024 and 2023 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)	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Deferred tax assets						
Right of use translational leases	60	13	-	-	47	13
Obsolescence fund	1,999	1,810	27	150	162	11
Provisions for future risks and charges	303	322	14	65	(33)	(54)
Unrealised exchange-rate losses	-	4,944	(21)	19	(4,923)	1,239
Tax effect on UCC gain reversals	9	20	-	-	(11)	(12)
Tax effect on inter-company margin adjustments	4,002	3,468	26	299	508	900

Tax losses carried forward	4,666	6,272	(474)	(234)	(1,132)	641
Other temporary differences	3,709	5,090	(1,028)	187	(353)	2,366
Total deferred tax assets	**14,748**	**21,939**	**(1,456)**	**486**	**(5,735)**	**5,104**
Deferred tax liabilities						
Unrealised exchange rate gains	-	(5,032)	-	-	5,032	(485)
Difference of value USA building	(135)	(132)	(9)	3	6	5
Capitalisation of Development costs Tesmec USA	-	(96)	53	120	43	40
Deferred tax liabilities Tesmec USA	(158)	(188)	30	53	-	-
Profits allocated to network reserve	(218)	(218)	-	-	-	-
Tax effect on inter-company margin adjustments	(6)	(20)	-	7	14	25
Deferred tax liabilities of Group Marais	(356)	(1,027)	660	(1)	11	487
Other temporary differences	(742)	(1,117)	(126)	(915)	501	30
Total deferred tax liabilities	**(1,615)**	**(7,830)**	**608**	**(733)**	**5,607**	**102**
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	**13,133**					
Represented in the income statement as follows:						
Deferred tax assets	**(5,735)**					
Deferred tax liabilities	**5,607**					
Deferred tax liabilities, net	**(128)**					

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 2025-2028 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 2024, the Group released net deferred tax assets of Euro 128 thousand, of which Euro 1,059 thousand related to previous tax losses of the subsidiary operating in New Zealand net of Euro 931 thousand relating to temporary differences arising in subsidiaries in Italy, the United States and France.
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 19% of consolidated shareholders' equity (compared to 28% in the previous financial year),during the explicit forecast period of the 2025-2028 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 2024 and 2023 are summarised below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Consolidated pre-tax profit/(loss)	**3,835**	**(1,478)**
Current taxation:		
Italy	(2,399)	(2,973)
USA	(158)	(17)
Rest of the world	(914)	(872)
Deferred tax (liabilities)/assets		
Italy	650	2,548
USA	281	380
Rest of the world	(1,059)	2,111
Total Income taxes	**(3,599)**	**1,177**

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:

(Euro in thousands)	Financial year ended 31 December 2024	2023
Profit before tax	**3,835**	**(1,478)**
IRES tax rate in force during the year	24.00%	24.00%
Theoretical tax charge	**(920)**	**355**
IRAP	**(791)**	**(786)**
Permanent tax differences	791	786
Effect of different tax rate for foreign companies	(2,679)	822
Total difference	**(1,888)**	**1,608**
Total tax charge as per income statement	**(3,599)**	**1,177**

Comments to the main items in the income statement

33 Revenues from sales and services

In the 2024 and 2023 financial years, revenues from sales and services amounted to Euro 239,546 thousand and Euro 236,040 thousand, respectively. The breakdown is set below:

(Euro in thousands)	Financial year ended 31 December 2024	2023
Sales of products	202,103	196,066
Services rendered	33,534	33,533
Changes in work in progress	3,909	6,441
Total revenues from sales and services	**239,546**	**236,040**

In 2024, the Group achieved total revenues of Euro 239,546 thousand compared to Euro 236,040 thousand in 2023, recording an increase of 1.5%. This result is the combined effect of different trends in the three segments:

- Energy: with regard to the Energy sector, revenues amounted to Euro 77,315 thousand, an increase of 14.1% compared to the figure of Euro 67,745 thousand recorded as at 31 December 2023, with a strong performance driven by the demand for Stringing equipment solutions, which recorded robust growth, together with a positive trend in the Energy-Automation segment. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 50,808 thousand, compared to Euro 42,922 thousand as at 31 December 2023 (+18.4%). The Energy-Automation segment achieved revenues of Euro 26,507 thousand, compared to Euro 24,823 thousand as at 31 December 2023.

- Trencher: revenues of the Trencher segment amounted to Euro 111,851 thousand, decreasing by 7.9% compared to Euro 121,408 thousand as at 31 December 2023. This reduction in revenues is mainly due to lower volumes in the US market (also affected by uncertainty about investments by customers following the outcome of the presidential elections) and delays in the start of new projects in Australia, only partially offset by the positive contribution of the African and Middle Eastern markets, which have recently confirmed the correctness of the Group's strategy to develop their commercial potential.

- Rail: the Rail segment recorded revenues amounting to Euro 50,380 thousand, down by 7.4% from Euro 46,887 thousand recorded as at 31 December 2023, thanks to the progress of the new work orders awarded, albeit started with delays due to the late definition by the contracting authority of technical aspects.

In the 2024 financial year, revenues of Euro 18.2 million were recognized (Euro 21.4 million at 31 December 2023) relating to completed machinery (mainly trenchers) and not yet shipped to the customer (bill and hold) as of 31 December 2024 for reasons beyond the control of the Group. These revenues were recognized in the income statement since the provisions of IFRS 15 were met, including the presence of a substantial motivation (such as a customer request motivated by objective and substantial circumstances), as well as the circumstance that the product was identified separately and therefore ready to be transferred to the customer without the Group having the right to use it or allocate it to other customers. The determination of these aspects required Management to make a subjective assessment of the elements to be considered and their scope with respect to the transaction in question.

34 Cost of raw materials and consumables

For the financial years as at 31 December 2024 and 31 December 2023, cost of raw materials and consumables amounted to Euro 109,008 thousand and Euro 106,258 thousand, respectively.
The breakdown of the item is as in the following table:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Cost for the purchase of raw materials and consumables	94,663	114,180
Change in inventories	14,315	(7,922)
Total cost of raw materials and consumables	**108,978**	**106,258**

Cost of raw materials and consumables decreased by Euro 2,720 thousand (2.6%) in inverse proportion to the increase in sales volumes (1.5%).

35 Costs for services

The table below shows the breakdown of *costs for services* that amounted in 2024 and in 2023 to Euro 42,687 thousand and Euro 47,875 thousand, respectively.

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Transport, customs and incidental expenses	6,591	8,949
Outsourced work service	7,846	8,726
External production services	1,052	705
Services for legal, tax, technical and other consultancy	12,040	14,046
Banking services	1,434	1,064
Insurance	2,167	1,868
Energy, water, gas, telephone expenses and postage	1,544	1,669
Board and lodging expenses and travelling allowance	3,732	3,654
Directors' and Auditors' fees	1,164	1,043
Advertising and other selling expenses	1,051	986
Maintenance services	1,079	1,127
Commissions and additional expenses	1,033	1,427
Other general expenses	1,954	2,611
Total costs for services	**42,687**	**47,875**

The turnover being equal, there was a general reduction in some cost categories as a result of a careful policy of cost containment and rationalization.

36 Payroll costs

During the financial years ended 31 December 2024 and 31 December 2023, payroll costs amounted to Euro 53,003 thousand and Euro 56,615 thousand, respectively, down by 6.4% also in this case the result of a careful policy of cost containment and rationalization.

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Wages and salaries	41,679	45,774
Social security charges	8,127	7,587
Employee severance indemnity	1,770	1,741
Other personnel costs	1,427	1,513
Total payroll costs	**53,003**	**56,615**

37 Other operating costs/revenues, net

During the financial years ended 31 December 2024 and 31 December 2023, *other operating costs/revenues, net* amounted to Euro 4,702 thousand and Euro 6,897 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Provisions for risks and other provisions	319	776
Rents	921	4,112
Hiring	2,120	1,898
Sundry taxes	787	722
Other revenues	(3,489)	(3,873)
Other	4,044	3,262
Total other operating costs/revenues, net	**4,702**	**6,897**

Other operating costs/revenues, net decreased by Euro 2,195 thousand compared to the previous financial year always thanks to a careful policy of cost containment and rationalization.

Other revenues include the value of the benefit of the tax credit for 2024 of Euro 286 thousand compared to Euro 826 thousand for 2023, other types of contributions received from government entities of Euro 1,387 thousand.
The item Provisions for risks and other provisions of Euro 319 thousand is related to the allowance for short-term doubtful receivables.
The item *Other* increased by Euro 782 thousand and mainly refers to the cost of software licences for the new ERP management system.

38 Amortisation and depreciation

During the financial years ended 31 December 2024 and 31 December 2023, depreciation and amortisation amounted to Euro 20,666 thousand and Euro 19,800 thousand, respectively, with a 4.4% increase.
The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Amortisation of intangible assets	8,633	8,007
Depreciation of property, plant and equipment	4,556	5,688
Depreciation of right of use	7,477	6,105
Total amortisation and depreciation	**20,666**	**19,800**

39 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2024 and 31 December 2023 amounted to Euro 10,559 thousand and Euro 13,491 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 while initiating a careful policy of monitoring such capitalizations..

40 Financial expenses

During the financial years ended 31 December 2024 and 31 December 2023, *financial expenses* amounted to Euro 21,970 thousand and Euro 19,653 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Bank interest expenses	515	494

Interests payable for factoring and billing discounts	2,021	2,008
Interests payable on interest-bearing medium/long-term loans and borrowings	7,378	7,254
Interests payable on advance loans on exports	2,918	1,862
Other sundry financial expenses	1,345	698
Financial expenses on rights of use	2,952	869
Realised foreign exchange losses	455	1,020
Unrealised foreign exchange losses	3,629	5,030
Provision for risks on financial receivables	271	0
Fair value adjustment of derivative instruments	486	418
Total financial expenses	**21,970**	**19,653**

Financial expenses increased by Euro 2,317 thousand compared to the previous financial period, mainly due to financial expenses on rights of use that amounted to Euro 2,952 thousand compared to Euro 869 thousand in the previous financial year.

41 Financial income

During the financial years ended 31 December 2024 and as at 31 December 2023, financial income amounted to Euro 5,365 thousand and Euro 5,156 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Interests from banks	69	126
Realised foreign exchange gains	625	579
Unrealised foreign exchange gains	3,767	3,284
Fair value adjustment of derivative instruments	0	0
Sundry financial income	290	415
Interest income from customers	614	752
Total financial income	**5,365**	**5,156**

Financial income increased by Euro 209 thousand compared to the previous financial year mainly due to higher realised and unrealised foreign exchange gains totalling Euro 529 thousand.

42 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 powerlines stringing works and fibre optic cables.
- Integrated solutions for the streamlining, management, monitoring and automation 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 transport 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.
- The Trencher segment also includes the excavation services for power networks and fibre optic cables.

Rail segment
- Works vehicles and integrated solutions for the installation, renewal and maintenance of the railway catenary wire system.

- Vehicles and 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									
	2024					2023				
(Euro in thousands)	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	15,590	11,707	14,941	-	42,238	14,942	11,165	13,241	-	39,348
Property, plant and equipment	3,641	23,428	7,091	-	34,160	3,413	31,610	10,058	-	45,081
Rights of use	2,761	17,942	2,670	-	23,373	788	27,425	655	-	28,868
Financial assets	6,334	8,297	2,281	-	16,912	5,557	9,032	3,729	-	18,318
Other non-current assets	1,045	16,006	617		17,668	1,212	23,222	797	-	25,231
Total non-current assets	**29,371**	**77,380**	**27,600**	**-**	**134,351**	**25,912**	**102,454**	**28,480**	**-**	**156,846**
Work in progress contracts	5,284	-	31,450	-	36,734	4,462	-	24,785	-	29,247
Inventories	24,112	63,762	8,260	-	96,134	26,451	68,581	15,589	-	110,621
Trade receivables	8,899	39,636	6,894	-	55,429	8,484	29,527	7,632	-	45,643
Other current assets	1,438	36,702	14,007	-	52,147	2,729	32,668	8,673	-	44,070
Cash and cash equivalents	3,099	21,375	3,317	1,768	29,559	5,562	37,983	5,589	4,546	53,680
Total current assets	**42,832**	**161,475**	**63,928**	**1,768**	**270,003**	**47,688**	**168,759**	**62,268**	**4,546**	**283,261**
Total non-current assets held for sale	**-**	**19,597**	**-**	**-**	**19,597**	**-**	**-**	**-**	**-**	**-**
Total assets	**72,203**	**258,452**	**91,528**	**1,768**	**423,951**	**73,600**	**271,213**	**90,748**	**4,546**	**440,107**
Group shareholders' equity	-	-	-	74,528	74,528	-	-	-	75,701	75,701
Shareholders' equity attributable to non-controlling interests	-	-	-	3,084	3,084	-	-	-	2,543	2,543
Total shareholders' equity	**-**	**-**	**-**	**77,612**	**77,612**	**-**	**-**	**-**	**78,244**	**78,244**
Non-current financial liabilities	660	838	10,560	68,242	80,300	1,044	5,574	9,542	75,847	92,007
Current financial liabilities from rights of use	706	13,774	3,054	5,780	23,314	583	22,041	214	7,011	29,849
Other non-current liabilities	1,437	2,007	2,086	-	5,530	1,014	9,148	1,778	-	11,940
Non-current liabilities	**2,803**	**16,619**	**15,700**	**74,022**	**109,144**	**2,641**	**36,763**	**11,534**	**82,858**	**133,796**
Current financial liabilities	10,261	2,628	14,838	70,468	98,195	14,564	4,197	13,548	71,502	103,811
Current financial liabilities from rights of use	334	4,855	1,488	3,777	10,454	234	6,249	151	2,764	9,398
Trade payables	21,512	40,797	17,596	-	79,905	27,605	39,481	15,756	-	82,842
Other current liabilities	5,257	12,984	6,728	-	24,969	1,295	19,061	11,660	-	32,016
Total current liabilities	**37,364**	**61,264**	**40,650**	**74,245**	**213,523**	**43,698**	**68,988**	**41,115**	**74,266**	**228,067**
Total liabilities held for sale	**-**	**23,672**	**-**	**-**	**23,672**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**40,167**	**101,555**	**56,350**	**148,267**	**346,339**	**46,339**	**105,751**	**52,649**	**157,124**	**361,863**
Total shareholders' equity and liabilities	**40,167**	**101,555**	**56,350**	**225,879**	**423,951**	**46,339**	**105,751**	**52,649**	**235,368**	**440,107**

	Financial year ended 31 December							
	2024				2023			
(Euro in thousands)	Energy	Trencher	Rail	Consolidated	Energy	Trencher	Rail	Consolidated
Revenues from sales and services	77,315	111,851	50,380	239,546	67,745	121,408	46,887	236,040
Operating costs net of depreciation and amortisation	(65,949)	(91,661)	(40,834)	(198,444)	(57,778)	(107,147)	(38,288)	(203,213)
EBITDA	**11,366**	**20,190**	**9,546**	**41,102**	**9,967**	**14,261**	**8,599**	**32,827**
Depreciation	(6,054)	(10,439)	(4,173)	(20,666)	(4,919)	(10,713)	(4,168)	(19,800)
Total operating costs	**(72,003)**	**(102,100)**	**(45,007)**	**(219,110)**	**(62,697)**	**(117,860)**	**(42,456)**	**(223,013)**
Operating income	**5,312**	**9,751**	**5,373**	**20,436**	**5,048**	**3,548**	**4,431**	**13,027**
Net financial income/(expenses)				(16,601)				(14,505)
Pre-tax profit/(loss)				**3,835**				**(1,478)**
Income tax				(3,599)				1,177
Net profit/(loss) for the year of continuing operations				**236**				**(301)**

Net profit/(loss) for the year of assets held for sale	**(5,053)**	**(2,397)**
Net profit/(loss) for the year	**(4,817)**	**(2,698)**
Profit/(loss) attributable to non-controlling interests	364	271
Group profit/(loss)	**(5,181)**	**(2,969)**

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.

43 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 applicable shareholders:
In particular, for the financial year ended 31 December 2024, the breakdown of each related party is indicated below:

	31 December							**31 December**						
	2024							**2023**						
(Euro in thousands)	**Trade rec.**	**Current financial rec.**	**Non-current financial pay.**	**Non-current liabilities from rights of use**	**Current financial pay.**	**Current liabilities from rights of use**	**Trade pay.**	**Trade rec.**	**Current financial rec.**	**Current financial pay.**	**Non-current liabilities from rights of use**	**Current financial pay.**	**Current liabilities from rights of use**	**Trade pay.**
Associates:														
Locavert S.A.	35	-	-	-	-	-	-	17	-	-	-	-	-	1
Subtotal	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**-**	**-**	**-**	**-**	**1**
Joint Ventures:														
Condux Tesmec Inc.	1,222	310	-	-	-	-	86	2,056	1,734	-	-	-	-	-
Marais Lucas	-	794	-	-	-	-	-	-	794	-	-	-	-	-
Subtotal	**1,222**	**1,104**	**-**	**-**	**-**	**-**	**86**	**2,056**	**2,528**	**-**	**-**	**-**	**-**	**-**
Related parties:														
Ambrosio S.r.l.	-	-	-	-	-	-	39	-	-	-	-	-	-	39
Dream Immobiliare S.r.l.	-	77	-	3,781	-	2,714	2,199	-	77	-	4,154	-	1,794	1,021
Fi.ind.	12	-	-	-	-	-	-	8	-	-	-	-	-	-
TTC S.r.l.	-	-	-	-	-	-	75	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	552	315	1,686	-	200	-	117	739	-	1,686	-	200	-	87
RX S.r.l.	9	-	213	-	881	-	114	6	-	213	-	881	-	92
ICS Tech. S.r.l. (now M.T.S. Officine meccaniche S.p.A.)	-	-	-	-	-	-	-	100	-	-	-	-	-	-
Subtotal	**573**	**392**	**1,899**	**3,781**	**1,081**	**2,714**	**2,544**	**853**	**77**	**1,899**	**4,154**	**1,081**	**1,794**	**1,239**
Total	**1,830**	**1,496**	**1,899**	**3,781**	**1,081**	**2,714**	**2,630**	**2,926**	**2,605**	**1,899**	**4,154**	**1,081**	**1,794**	**1,240**

(Euro in thousands)	Financial year ended 31 December 2024					Financial year ended 31 December 2023				
	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.	84	-	-	(24)	-	113	33	-	-	-
Subtotal	**84**	**-**	**-**	**(24)**	-	**113**	**33**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	2,665	(5)	(162)	277	91	8,952	(126)	(1)	277	63
Subtotal	**2,665**	**(5)**	**(162)**	**277**	**91**	**8,952**	**(126)**	**(1)**	**277**	**63**
Related parties:										
Ambrosio S.r.l.	-	-	-	(4)	(2)	-	-	-	(4)	(3)
Dream Immobiliare S.r.l.	-	-	-	(100)	(290)	-	-	-	(223)	(285)
Fi.ind.	-	-	-	3	-	-	-	-	7	-
TTC S.r.l.	-	-	(114)	6	-	-	-	(72)	16	-
M.T.S. Officine meccaniche S.p.A.	1,375	(4)	(2)	13	(113)	1,624	(1)	(12)	14	(79)
RX S.r.l.	-	-	-	2	(22)	-	-	-	5	(22)
ICS Tech. S.r.l. (now M.T.S. Officine meccaniche S.p.A.)	-	-	-	1	-	31	-	(7)	3	-
TCB Sport S.r.l.	-	-	(2)	2	-	-	-	-	1	-
Subtotal	**1,375**	**(4)**	**(118)**	**(77)**	**(427)**	**1,655**	**(1)**	**(91)**	**(182)**	**(389)**
Total	**4,124**	**(9)**	**(280)**	**176**	**(336)**	**10,720**	**(94)**	**(92)**	**95**	**(326)**

44 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2024:

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 Franco Marcozzi	Statutory Auditor	26,000	-	26,000
Laura Braga	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2024 financial year amounted to Euro 551 thousand (Euro 404 thousand in the 2023 financial year).

45 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.

On 30 June 2022, Amtrak sued Tesmec USA for damages suffered from a fire on 1 July 2019, which affected a rail 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 was settled in the 2024 financial year by means of an out-of-court mediation for an amount of USD 1,800 thousand, paid as follows: USD 1,377 thousand by offsetting it against the balance of the price and USD 300 thousand by means of insurance reimbursement, the remainder by cash payment. The insurance policy covered 55% of the legal costs.

The scope of assessment for ongoing tax audits described below totals approximately Euro 2.1 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.

Following a tax audit for the 2015, 2016 and 2017 financial years, in December 2019, the subsidiary Groupe Marais SAS 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.

In 2023, the subsidiary Tesmec Automation S.r.l. received a deed of collection, issued by the Italian Inland Revenue 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 Tax Court of Bergamo upheld the appeal of Tesmec Automation S.r.l. in full. On 14 June 2024, the Italian Inland Revenue appealed against the decision of the Tax Court of Bergamo.

In January 2025, the subsidiary Tesmec Automation S.r.l. received from the Italian Inland Revenue the notices of assessment relating to the tax audit carried out on the 2018 financial year and for which the subsidiary had received a report on findings in 2022. The Italian Inland Revenue challenged the Company's undue utilisation of R&D credits totalling Euro 1.1 million. The Company believes it has acted correctly and is preparing its counterclaims with the assistance of its advisors.

On 19 March 2024, the parent company Tesmec S.p.A. received a notice of assessment from the Italian Inland Revenue for the 2017 tax year, following a cross-examination that began with a questionnaire received by the Italian Inland Revenue in September 2023. In this regard, the Italian Inland Revenue disputed the deductibility of the costs related to the then existing relationship with SIMEST S.p.A., a public company that was at the time the Group's partner in foreign investments in the United States and France, and assessed a higher tax of Euro 150 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 notice. On 21 October 2024, the Tax Court of Milan upheld the appeal of Tesmec Automation S.r.l. in full.

46 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.

47 Commitments and risks

They include sureties, guarantees and third-party assets with the Group. For the financial years as at 31 December 2024 and 2023, they are summarised as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Sureties	167,975	141,654
Total commitments and risks	**167,975**	**141,654**

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.

48 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 2024 and 2023 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**	**2024**	**2023**
Audit of the financial statements and consolidated financial statements	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	150	150
	Italian subsidiaries	Deloitte & Touche S.p.A.	62	62
	Foreign subsidiaries and JV	Deloitte network	120	115
Limited half-year auditing	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	28	28
Limited auditing of the Sustainability Statement	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	118	57
Certification services	Tesmec S.p.A. Parent Company and Subsidiaries	Deloitte & Touche S.p.A.	-	61
Total			**478**	**473**

49 Significant events occurred after the reporting year

Significant events occurred after the reporting period:

- On 28 January 2025, the Parent Company Tesmec S.p.A. announced the development of a series of strategic initiatives in France - started in December 2024 with the signing of the Binding Term Sheet with OT Engineering - with the aim of further strengthening the Group's competitive position and increasing the synergies between the various divisions for the further development of the local market.

  In particular, the implementation of the agreement signed in December 2024 by the French subsidiary, Groupe Marais, to focus its activities on the rental of its fleet of machines as part of its mechanised cable-laying services continued, while the production and sale of Trenchers was transferred to a new company, Tesmec France, wholly owned by Tesmec.

In order to strengthen the industrial project, the French subsidiary Groupe Marais SAS, which focuses on the core business of rental, signed an agreement with OT Engineering (a French company belonging to the Comergy group), which will acquire 50% of the share capital; as a result of this agreement, the Tesmec Group loses control of Group Marais SAS, which will be jointly controlled with the other shareholder;

- on 7 February 2025, the subsidiary Tesmec Automation S.r.l. was awarded one lot of the tender called Enedis, a company belonging to the EDF (Electricitè de France) group that manages the French electricity distribution network, for the supply of new generation equipment for the remote control and automation of the electricity network, for an amount of more than Euro 40 million and a duration of 8 years (of which 3 are optional). After an initial project development phase, in which Tesmec will meet Enedis' technical qualification requirements, a massive and continuous deployment is planned throughout France over the duration of the contract;

- on 5 March 2025, the parent company Tesmec S.p.A. communicated to the Board of Directors of the subsidiary Tesmec Automation S.r.l. the waiver of part of the existing financing for Euro 3 million to be used as a capital payment.

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 2024 financial year.

2. We also certify that:

2.1 the consolidated financial statements as at 31 December 2024:

- 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 report on operations 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, 10 March 2025

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 2024	31 December 2023
NON-CURRENT ASSETS			
Intangible assets	4	13,074,178	11,235,115
Property, plant and equipment	5	9,241,792	8,994,848
Rights of use	6	9,625,557	9,427,691
Equity investments in subsidiaries	7	81,540,998	75,838,721
Equity investments in associates	7	1,007,763	1,007,763
Other equity investments		39,308	36,308
Financial receivables and other non-current financial assets	8	25,094,478	22,165,693
of which with related parties:		*19,299,297*	*18,144,832*
Derivative financial instruments	18	71,832	334,811
Deferred tax assets	26	1,918,825	6,751,579
Other non-current assets		-	369,098
TOTAL NON-CURRENT ASSETS		**141,614,731**	**136,161,627**
Inventories	9	28,714,686	35,218,134
Trade receivables	10	46,791,589	42,405,517
of which with related parties:		*28,687,749*	*28,496,556*
Tax receivables		853,516	1,245,184
Financial receivables and other current financial assets	11	65,407,507	60,419,415
of which with related parties:		*58,016,651*	*56,136,454*
Current derivative financial instruments	18	12,689	-
Other current assets	12	5,240,513	4,732,487
of which with related parties:		*1,186,538*	*1,281,226*
Cash and cash equivalents	13	12,805,059	22,284,148
TOTAL CURRENT ASSETS		**159,825,559**	**166,304,885**
TOTAL ASSETS		**301,440,290**	**302,466,512**
SHAREHOLDERS' EQUITY			
Share capital	14	15,702,162	15,702,162
Reserves	14	79,889,529	76,497,535
Net profit/(loss) for the year	14	3,355,589	3,359,702
TOTAL SHAREHOLDERS' EQUITY		**98,947,280**	**95,559,399**
NON-CURRENT LIABILITIES			
Medium/long-term loans	15	48,290,508	63,318,465
of which with related parties:		*1,899,000*	*1,899,000*
Non-current bond issue	16	7,576,000	-
Non-current financial liabilities from rights of use	17	5,754,578	6,883,529
of which with related parties:		*3,240,971*	*3,836,058*
Derivative financial instruments	18	175,591	-
Employee benefit liability	19	896,113	1,197,043
Deferred tax liabilities	26	214,187	5,238,535
TOTAL NON-CURRENT LIABILITIES		**62,906,977**	**76,637,572**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	20	74,068,514	69,201,239
of which with related parties:		*4,985,790*	*202,013*
Current financial liabilities from rights of use	17	3,659,166	2,663,959
of which with related parties:		*2,593,862*	*1,730,984*
Current bond issue	21	-	1,246,146
Derivative financial instruments	18	60,230	-
Trade payables	22	52,850,961	46,657,279
of which with related parties:		*13,167,988*	*8,759,690*
Advances from customers		1,175,940	418,191
Income taxes payable	23	1,824,659	2,304,288
Provisions for risks and charges	24	413,605	434,105
Other current liabilities	25	5,532,958	7,344,334
of which with related parties:		*4,544*	*33,162*

TOTAL CURRENT LIABILITIES	**139,586,033**	**130,269,541**
TOTAL LIABILITIES	**202,493,010**	**206,907,113**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**301,440,290**	**302,466,512**

Income statement

(in Euro)	Notes	Financial year ended 31 December 2024	2023
Revenues from sales and services	27	**124,328,820**	**127,612,032**
of which with related parties:		*30,134,218*	*53,625,380*
Cost of raw materials and consumables	28	(74,768,789)	(74,030,627)
of which with related parties:		*(12,269,802)*	*(8,962,601)*
Costs for services	29	(22,154,498)	(22,867,006)
of which with related parties:		*(2,424,353)*	*(2,260,175)*
Payroll costs	30	(25,030,510)	(23,911,234)
Other net operating costs/revenues	31	5,094,115	2,069,882
of which with related parties:		*6,285,874*	*3,446,104*
Depreciation	32	(7,394,430)	(5,783,678)
Development costs capitalised	33	4,190,301	4,223,732
Total operating costs		**(120,063,811)**	**(120,298,931)**
Operating income		**4,265,009**	**7,313,101**
Financial expenses	34	(16,227,059)	(15,967,112)
of which with related parties:		*(573,220)*	*(695,801)*
Financial income	35	15,764,761	12,484,164
of which with related parties:		*9,392,166*	*7,849,206*
Pre-tax profit/(loss)		**3,802,711**	**3,830,153**
Income tax	26	(447,122)	(470,451)
Net result for the year		**3,355,589**	**3,359,702**

Comprehensive income statement

(in Euro)	Notes	Financial year ended 31 December 2024	2023
NET RESULT FOR THE YEAR		**3,355,589**	**3,359,702**
Other components of comprehensive income:			
Other components of comprehensive income that will not be subsequently reclassified to net profit/(loss) for the year:			
Actuarial profit/(loss) on defined benefit plans	19	42,489	(26,589)
Income tax		(10,197)	6,381
		32,292	(20,208)
Total other profit/(loss) after tax		**32,292**	**(20,208)**
Total comprehensive income (loss) after tax		**3,387,881**	**3,339,494**

Cash flow statement

(in Euro)	Notes	Financial year ended 31 December 2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the year		3,355,589	3,359,702
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Depreciation	32	7,394,430	5,783,678
Provisions for employee benefit liability	19	1,217,740	1,190,557
Provisions for risks and charges/inventory obsolescence/doubtful accounts	9-10-24	1,433,845	558,686
Employee benefit payments	19	(1,476,181)	(1,258,863)
Payments/use of provisions for risks and charges	24	(70,000)	(80,000)
Net change in deferred tax assets and liabilities	26	(201,791)	(691,090)
Change in fair value of financial instruments	18	486,110	418,147
Change in operating assets and liabilities:			
Trade receivables	10	(3,761,656)	(1,932,882)
of which with related parties:		*(191,193)*	*284,627*
Inventories	9	5,523,420	5,157,216
Trade payables	22	6,193,682	6,379,848
of which with related parties:		*4,408,298*	*6,312,584*
Other current assets and liabilities		(2,038,265)	1,566,826
of which with related parties:		*66,070*	*1,297,206*
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**18,056,923**	**20,451,825**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	5	(1,095,019)	(1,726,168)
Investments in intangible assets	4	(4,608,195)	(5,192,687)
Investments in rights of use	6	(4,759,362)	(4,105,515)
(Investments)/disposals of financial assets		(13,893,137)	(15,994,301)
of which with related parties:		*(3,034,662)*	*(11,962,602)*
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	4-5-6	784,273	385,368
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(23,571,440)**	**(26,633,303)**
CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	15	21,000,000	23,000,000
of which with related parties:		-	*(1,899,000)*
Recognition of financial liabilities from rights of use	17	4,758,609	4,578,566
of which with related parties:		*(595,087)*	-
Repayment of medium/long-term loans	15-16	(31,393,380)	(28,844,237)
Repayment of financial liabilities from rights of use	17	(4,892,354)	(4,038,622)
Net change in short-term financial debt	17-20-21	6,562,553	14,153,672
of which with related parties:		*5,646,655*	*(3,552,223)*
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		**(3,964,572)**	**8,849,379**
TOTAL CASH FLOW FOR THE YEAR (D=A+B+C)		**(9,479,089)**	**2,667,901**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	13	22,284,148	19,616,247
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G=D+E+F)		**12,805,059**	**22,284,148**
Additional information:			
Interest paid		10,073,827	7,388,214
Income tax paid		1,746,035	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 2023	**15,702,162**	**2,141,680**	**39,215,221**	**(2,340,969)**	**33,368,260**	**4,133,552**	**92,219,905**
Net result 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**
Net result for the year	-	-	-	-	-	3,355,589	3,355,589
Other changes	-	-	-	-	32,292	-	32,292
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**32,292**	**3,355,589**	**3,387,881**
Allocation of profit for the year	-	167,985	-	-	3,191,717	3,359,702	-
Balance as at 31 December 2024	**15,702,162**	**2,516,343**	**39,215,221**	**(2,340,969)**	**40,498,935**	**3,355,589**	**98,947,280**

Explanatory notes

Accounting policies adopted in preparing the financial statements as at 31 December 2024

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 have been listed on the MTA STAR Segment of the Milan Stock Exchange since 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 2024 was authorised by means of the resolution of the Board of Directors on 10 March 2025.

2 Reporting standards

The financial statements of Tesmec S.p.A. as at 31 December 2024 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 2023, 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 10 March 2025. In the light of the Budget forecasts of the underlying cash flow plan developed by the Management 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 2024 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.
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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.

Business combinations under common control

The particular forms of business combinations involving companies under common control, both before and after the combination, or "business combinations under common control" are excluded from the scope of IFRS 3 and therefore do not fall within the application of the previous section ***Business combinations and goodwill***. In the absence of a specific reference to IFRS principles or interpretations for this particular case, the Group refers to the established principles in general terms and, in particular, believes that the selection of the most suitable accounting principle to apply must be made in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", with a view to reflecting the economic substance of such transactions, regardless of their legal form.
Economic substance means a generation of added value for the set of interested parties such as to generate significant variations in the pre- and post-transaction cash flows of the transferred assets. Depending on whether or not there is evidence of economic substance, the accounting treatments applicable to transactions under common control are as follows:

- recognition of the transferred assets at the continuity of historical values, for transactions that do not have a significant influence on future cash flows;
- recognition of the transferred assets at the acquisition fair value, for transactions with a significant influence on future cash flows.

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 approved by the European Union, not yet mandatorily applicable and not early adopted by the group as at 31 December 2024

As at the date of this document, the competent bodies of the European Union completed the approval process required for the adoption of the amendments and standards described below, but these standards are not necessarily applicable and have not been adopted in advance by the Company as at 31 December 2024:

- on 15 August 2023, the IASB published an amendment called "***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability***". The document requires an entity to apply a consistent method for checking whether one currency can be converted into another and, if not, how to determine the exchange rate to be used and the disclosures to be made in the explanatory notes. The amendment will apply beginning on 1 January 2025, but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of this amendment.

2.4 Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

As at the date of this document, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- On 30 May 2024, the IASB published the document "***Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7***". The document clarifies a number of problematic issues that emerged from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (i.e. green bonds). In particular, the amendments aim to:
    - clarify the classification of financial assets with variable returns and linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for the SPPI test;
    - determine that the settlement date of liabilities through electronic payment systems is the date on which the liability is extinguished. However, an entity is permitted to adopt an accounting policy that, under certain specified conditions, allows a financial liability to be derecognised before cash is delivered on the settlement date.

  With these amendments, the IASB also introduced additional disclosure requirements for investments in equity instruments designated as FVOCI.
  The amendments will apply as from the financial statements for years beginning on or after 1 January 2026. The directors do not expect a significant effect on the Company's financial statements through the adoption of this amendment.

- On 18 July 2024, the IASB published a document called "***Annual Improvements Volume 11***". The document contains clarifications, simplifications, corrections and amendments to improve the consistency of various IFRS Accounting Standards. The amended standards are:
    - IFRS 1 First-time Adoption of International Financial Reporting Standards;
    - IFRS 7 Financial Instruments: Disclosures and the related guidelines on the implementation of IFRS 7;
    - IFRS 9 Financial Instruments;
    - IFRS 10 Consolidated Financial Statements; and
    - IAS 7 Statement of Cash Flows.

  The amendments will apply beginning on or after 1 January 2026, but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of these amendments.

- On 18 December 2024, the IASB published an amendment called "***Contracts Referencing Nature-dependent Electricity - Amendment to IFRS 9 and IFRS 7***". The purpose of this document is to assist entities in reporting the financial effects of contracts to purchase electricity from renewable sources (often structured as Power Purchase Agreements). Based on these contracts, the amount of electricity generated and purchased can vary due to uncontrollable factors such as the weather. The IASB has made targeted amendments to IFRS 9 and IFRS 7. The amendments include:
    - clarifying the application of "own use" requirements to this type of contract;
    - permitting hedge accounting if these contracts are used as hedging instruments; and,
    - adding new disclosure requirements to enable users of financial statements to understand the effect of these contracts on an entity's financial performance and cash flows.

  The amendment will apply beginning on or after 1 January 2026, but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of this amendment.

- On 9 April 2024, the IASB published a new standard ***IFRS 18 Presentation and Disclosure in Financial Statements***, which will replace *IAS 1 Presentation of Financial Statements*. The new standard aims to improve the presentation of financial statements, with particular reference to the income statement. In particular, the new standard requires:
    - revenues and costs to be classified into three new categories (operating, investing and financing sections), in addition to the tax and discontinued operations categories already present in the income statement;

- Present two new sub-totals, operating income and earnings before interest and taxes (i.e. EBIT).

The new standard also:

- requires more information on the performance indicators defined by management;
- introduces new criteria for the aggregation and disaggregation of information; and,
- introduces a number of changes to the cash flow statement, including the requirement to use the operating income as the starting point for the presentation of the cash flow statement prepared using the indirect method and the derecognition of certain classification options for some items that currently exist (such as interest paid, interest received, dividends paid and dividends received).

The new standard will become effective as from 1 January 2027, but early application is permitted. The directors are currently assessing the possible effects of the introduction of this new standard on the Company's financial statements.

- On 9 May 2024, the IASB published a new standard ***IFRS 19 Subsidiaries without Public Accountability: Disclosures.*** The new standard introduces some simplifications to the information required by the IFRS Accounting Standards in the financial statements of a subsidiary that meets the following requirements:
  - it has not issued, nor is it in the process of issuing, any equity or debt instruments listed on a regulated market;
  - its parent company prepares consolidated financial statements in accordance with IFRS.

  The new standard will become effective as from 1 January 2027, but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of this amendment.

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 assumptions 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 provisions of IFRS 15 are met, including the presence of a substantial motivation (such as the customer's request motivated by objective and substantial circumstances), as well as the circumstance that the product is identified separately and therefore ready to be transferred to the customer without the Company having the right to use it or allocate it to other customers. 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.

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.

Business combinations under common control

During the 2024 financial year, the Company acquired from its subsidiary Tesmec Australia Ltd. the 100% stake in Marais Laying Tech. (Pty) Ltd. New Zealand, for a cash consideration. This transaction is structured as an acquisition of a controlling interest between entities under common control.
There are currently different interpretations of the classification of these transactions, depending on whether or not they can be considered similar to business combinations under common control.
In the opinion of the Company, the transaction is not a true business combination but rather a reorganisation of the Group's structure.
Since the transaction took place under normal market conditions and the value of the shareholding was determined with the support of an appraisal prepared by an independent expert, the Company acquired the shareholding in an amount equal to the consideration paid.
That approach is confirmed by the considerations set out in the Assirevi preliminary guideline (“OPI”) no. 1Revised document, which comments on the accounting treatment of "business combinations under common control" in separate and consolidated financial statements.

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 2024, there were eight 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 19 million, with a positive equivalent value of Euro 151 thousand.

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.

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 2024 financial year (compared to 2023) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2024 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 2024 financial year (compared to 2023) 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 2024 financial year (compared to 2023).
- 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 2024, 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 2025 financial year of Euro 78 thousand, offset by an increase of Euro 5 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 2025 of Euro 23 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 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.

	Interests					
	31 December 2024			31 December 2023		
(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	139,349	(78)	23	143,438	(109)	33
Total Loans	**139,349***	**(78)**	**23**	**143,438***	**(109)**	**33**
(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	19,222	(5)	1	9,356	4	(1)
Total Derivative instruments	**19,222**	**(5)**	**1**	**9,356**	**4**	**(1)**
Total		**(83)**	**24**		**(105)**	**32**

* The residual debt is considered before amortised costs.

	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2024									
(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	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-
Total	**19,222**	**(151)**	**(151)**	**(150)**	**481**	**-**	**(152)**	**(153)**	**488**	**-**
	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)**	**-**

With reference to the situation as at 31 December 2024, 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 481 thousand, with an impact only on the Income statement of the 2025 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 Euro 488 thousand, with an impact only on the Income Statement of the 2025 financial year.

With reference to the situation as at 31 December 2023, a parallel shift in 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 on the Income statement only in the 2024 financial year. A parallel shift in 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 Euro -419 thousand, with an impact only on the Income Statement of the 2024 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 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.

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 2024 and to 2023 financial years, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2024						
	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	77,728	2,755	-	-	52,851	47	**133,381**
Between 1 and 2 years	33,921	2,827	1,755	600	-	-	**39,103**
Between 2 and 3 years	13,517	555	1,908	444	-	42	**16,466**
Between 3 and 4 years	5,693	168	1,939	285	-	-	**8,085**
Between 4 and 5 years	904	28	1,974	120	-	62	**3,088**
Over 5 years	10	-	-		-	-	**10**
Total	**131,773**	**6,333**	**7,576**	**1,449**	**52,851**	**151**	**200,133**

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	29,168	2,657	-	-	-	(170)	**31,655**
Between 2 and 3 years	25,159	3,615	-	-	-	-	**28,774**
Between 3 and 4 years	10,806	722	-	-	-	(165)	**11,363**
Between 4 and 5 years	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.

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 2024 and 31 December 2023).

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 2024 financial year (compared to 2023 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 2024 financial year (compared to 2023) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

	2024 Exposure in foreign currency (USD)			2024 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	16,335	-	16,335	(786)	786
Trade payables	-	(6,785)	(6,785)	327	(327)
Financial receivables	5,755	-	5,755	(178)	178
Total gross exposure with regard to equity items	**22,090**	**(6,785)**	**15,305**	**(637)**	**637**
Derivative instruments	-	-	-	-	-

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	2024 Exposure in foreign currency (ZAR)			2024 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	66,331	-	66,331	(169)	169
Financial receivables	44,755	-	44,755	-	-
Trade payables	-	-	-	(328)	328
Total gross exposure with regard to equity items	**111,086**	**-**	**111,086**	**(497)**	**497**
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	2024 Exposure in foreign currency (AUD)			2024 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	1,795	-	1,795	(54)	54
Trade payables	-	-	-	-	-
Financial receivables	29,315	-	29,315	(874)	874
Total gross exposure with regard to equity items	**31,110**	**-**	**31,110**	**(928)**	**928**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (AUD) Assets (AUD/000)	Liabilities (AUD/000)	Net (AUD/000)	2023 Sensitivity 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	2024 Exposure in foreign currency (CNY) Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	2024 Sensitivity Income statement EUR/CNY exchange rate +5% (EUR/000)	Income statement EUR/CNY exchange rate -5% (EUR/000)
Trade receivables	250	-	250	(2)	2
Trade payables	-	(1,320)	(1,320)	9	(9)
Financial receivables	13,496	-	13,496	(89)	89
Total gross exposure with regard to equity items	**13,746**	**(1,320)**	**12,426**	**(82)**	**82**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (CNY) Assets (CNY/000)	Liabilities (CNY/000)	Net (CNY/000)	2023 Sensitivity 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	2024 Exposure in foreign currency (RUB) Assets (RBL/000)	Liabilities (RBL/000)	Net (RBL/000)	2024 Sensitivity Income statement EUR/RBL exchange rate +5% (EUR/000)	Income statement EUR/RUB exchange rate -5% (EUR/000)
Trade receivables	-	-	-	-	-
Financial receivables	55,478	-	55,478	(24)	24
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**55,478**	**-**	**55,478**	**(24)**	**24**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (RUB)			2023 Sensitivity	
	Assets (RBL/000)	Liabilities (RBL/000)	Net (RBL/000)	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	2024 Exposure in foreign currency (NZD)			2024 Sensitivity	
	Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	Income statement EUR/NZD exchange rate +5% (EUR/000)	Income statement EUR/NZD exchange rate -5% (EUR/000)
Trade receivables	52	-	52	(1)	1
Financial receivables	2,211	-	2,211	(60)	60
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	**2,263**	**-**	**2,263**	**(61)**	**61**
Derivative instruments	-	-	-	-	-

Exposure with regard to equity items	2023 Exposure in foreign currency (NZD)			2023 Sensitivity	
	Assets (NZD/000)	Liabilities (NZD/000)	Net (NZD/000)	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	-	-	-	-	-

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 2024	31 December 2023
NON-CURRENT ASSETS:		
Receivables and other financial assets	25,094	22,166
Derivative financial instruments	72	335
CURRENT ASSETS:		
Trade receivables	46,792	42,406
Derivative financial instruments	13	-
Financial receivables	65,408	60,419
Cash and cash equivalents	12,805	22,284

(Euro in thousands)	31 December 2024	31 December 2023
NON-CURRENT LIABILITIES:		
Medium/long-term loans	48,291	63,318
Non-current bond issue	7,576	-
Non-current financial liabilities and rights of use	5,755	6,884
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	74,069	69,201
Current financial liabilities and rights of use	3,659	2,664
Current bond issue	0	1,246
Trade payables	52,851	46,657
Advances from customers	1,176	418

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	Fair value recognised in the income statement
Financial assets:				
Financial receivables from third parties	5,791	-	-	-
Financial receivables from related parties	19,299	4	-	-
Derivative financial instruments	-	-	-	72
Total non-current	**25,090**	**4**	**-**	**72**
Trade receivables	18,104	-	-	-
Trade receivables from related parties	28,688	-	-	-
Financial receivables from third parties	7,391	-	-	-
Financial receivables from related parties	58,017	-	-	-
Derivative financial instruments	-	-	-	13
Cash and cash equivalents	-	-	12,805	-
Total current	**112,199**	**-**	**12,805**	**13**
Total	**137,290**	**4**	**12,805**	**85**
Financial liabilities:				
Medium/long-term loans	46,392	-	-	-
Medium/long-term loans due to related parties	1,899	-	-	-
Non-current bond issue	7,576	-	-	-
Non-current financial liabilities from rights of use	2,514	-	-	-
Non-current financial liabilities from rights of use to related parties	3,241	-	-	-
Derivative financial instruments	-	-	-	176
Total non-current	**61,622**	**-**	**-**	**176**

Interest-bearing financial payables (current portion)	69,083	-	-	-
Interest-bearing financial payables (current portion) due to related parties	4,986	-	-	-
Current financial liabilities from rights of use	1,065	-	-	-
Current financial liabilities from rights of use to related parties	2,594	-	-	-
Current bond issue	-	-	-	-
Derivative financial instruments	-	-	-	60
Trade payables	39,683	-	-	-
Trade payables due to related parties	13,168	-	-	-
Advances from customers	1,176	-	-	-
Total current	**131,755**	**-**	**-**	**60**
Total	**193,377**	**-**	**-**	**236**

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 2024, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 December 2024**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	72	-	72	-
Total non-current	**72**	**-**	**72**	**-**
Derivative financial instruments	13	-	13	-
Total current	**13**	**-**	**13**	**-**
Total	**85**	**-**	**85**	**-**
Financial liabilities:				
Derivative financial instruments	176	-	176	-
Total non-current	**176**	**-**	**176**	**-**
Derivative financial instruments	60	-	60	-
Total current	**60**	**-**	**60**	**-**
Total	**236**	**-**	**236**	**-**

COMMENTS ON THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Non-current assets

4 Intangible assets

The breakdown of *Intangible assets* as at 31 December 2024 and as at 31 December 2023 is indicated in the table below:

	31 December					
	2024			2023		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Start-up and expansion costs	12	(5)	7	12	(3)	9
Development costs	35,580	(27,905)	7,675	29,680	(26,250)	3,430
Rights and trademarks	6,431	(4,747)	1,684	5,861	(3,834)	2,027
Other intangible assets	1,317	(200)	1,117	701	(10)	691
Assets in progress	2,591	-	2,591	5,078	-	5,078
Total intangible assets	**45,931**	**(32,857)**	**13,074**	**41,332**	**(30,097)**	**11,235**

The following table shows the changes in intangible assets for the year ended as at 31 December 2024:

(Euro in thousands)	1 January 2024	Increases	Decreases	Reclassifications	Depreciation	31 December 2024
Start-up and expansion costs	9	-	-	-	(2)	7
Development costs	3,430	2,094	-	3,896	(1,745)	7,675
Rights and trademarks	2,027	255	-	314	(912)	1,684
Other intangible assets	691	471	-	146	(191)	1,117
Assets in progress	5,078	1,788	-	(4,275)	-	2,591
Total intangible assets	**11,235**	**4,608**	**-**	**81**	**(2,850)**	**13,074**

As at 31 December 2024, intangible assets net of amortisation totalled Euro 13,074 thousand, up Euro 1,839 thousand on the previous year.
Increases for the period totalled Euro 4,608 thousand and consist in:

- assets in progress of Euro 1,788 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 2,094 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 item intangible assets depends on the production of positive cash flows directly attributable to the projects whose costs have been capitalised. These flows are included in the 2025-2028 Business Plan, approved by the Board of Directors on 10 March 2025. 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 assets.

The impairment test carried out with reference to the CGU to which the Company belongs did not show any impairment loss with reference to intangible assets.

As at the end of the reporting year, the Company analysed the value of its intangible assets and, as no specific indicators of impairment were found, it did not deem it necessary to test them for impairment.
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	Depreciation	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**

5 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2024 and as at 31 December 2023 is indicated in the table below:

	31 December					
	2024			2023		
(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	3,522	(1,116)	2,406	3,507	(1,010)	2,497
Plant and machinery	11,998	(9,751)	2,247	12,181	(9,639)	2,542
Equipment	4,489	(4,048)	441	4,179	(3,992)	187
Other assets	2,955	(2,135)	820	2,660	(2,020)	640
Assets in progress	865	-	865	666	-	666
Total property, plant and equipment	**26,292**	**(17,050)**	**9,242**	**25,656**	**(16,661)**	**8,995**

The following table shows the changes in property, plant and equipment for the year ended 31 December 2024:

(Euro in thousands)	1 January 2024	Increases	Decreases	Reclassifications	Depreciation	31 December 2024
Land	2,463	-	-	-	-	2,463
Buildings	2,497	15	-	-	(106)	2,406
Plant and machinery	2,542	100	(32)	-	(363)	2,247
Equipment	187	353	(6)	-	(93)	441
Other assets	640	347	(3)	-	(164)	820
Assets in progress	666	280	-	(81)	-	865
Total property, plant and equipment	**8,995**	**1,095**	**(41)**	**(81)**	**(726)**	**9,242**

As at 31 December 2024, property, plant and equipment totalled Euro 9,242 thousand, up compared to the previous year by Euro 247 thousand.
The increases for the year amounted to Euro 1,095 thousand and mainly related to new equipment and instruments following the expansion of the space used at the Grassobbio plant.

The impairment test carried out with reference to the CGU to which the Company belongs did not show any impairment loss with reference to property, plant and equipment.

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**

6 Rights of use

The breakdown in *Rights of use* as at 31 December 2024:

	31 December					
	2024			2023		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	17,319	(11,612)	5,707	14,968	(9,771)	5,197
Plant and machinery - Rights of use	2,977	(407)	2,570	1,662	(96)	1,566
Equipment - Rights of use	1,310	(375)	935	1,310	(71)	1,239
Other assets - Rights of use	2,466	(2,052)	414	3,206	(1,780)	1,426
Total rights of use	**24,072**	**(14,446)**	**9,626**	**21,146**	**(11,718)**	**9,428**

The following table shows the changes in rights of use for the year ended 31 December 2024:

(Euro in thousands)	1 January 2024	Increases	Decreases	Reclassifications	Depreciation	31 December 2024
Industrial Buildings - Right of use	5,197	3,227	-	-	(2,717)	5,707
Plant and machinery - Rights of use	1,566	1,315	-	-	(311)	2,570
Equipment - Rights of use	1,239	-	-	-	(304)	935
Other assets - Rights of use	1,426	217	(743)	-	(486)	414
Total rights of use	**9,428**	**4,759**	**(743)**	**-**	**(3,818)**	**9,626**

As at 31 December 2024, rights of use totalled Euro 9,626 thousand, up compared to the previous year by Euro 198 thousand.
The increases for the year amounted to Euro 4,759 thousand and are mainly related to the expansion of the space used at the Grassobbio plant of Euro 3,227 thousand following the closing of the Endine Gaiano plant.

The impairment test carried out with reference to the CGU to which the Company belongs did not show any impairment loss with reference to property, plant and equipment.

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**

7 Equity investments in subsidiaries, associates and joint ventures

The breakdown of *Equity investments in subsidiaries, associates and joint ventures* as at 31 December 2024 and 2023 is indicated in the table below:

(Euro in thousands)	31 December 2024	2023
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	808
Tesmec Saudi Arabia	7,822	7,822
OOO Tesmec RUS	11	11
Tesmec New Technology (Beijing) LTD	408	400
Marais Technologies SA	10,814	10,814
Tesmec Australia Ltd.	3,766	3,766
Marais Laying Tech. (Pty) Ltd. New Zealand	2,094	-
Bertel S.r.l.	4,293	4,293
Tesmec Rail S.r.l.	9,206	5,606
4Service S.r.l.	9,721	9,721
Total equity investments in subsidiaries	**81,541**	**75,839**

Equity investments in subsidiaries increased of Euro 5,702 thousand due to the following effects:

- the acquisition of the entire shareholding in Marais Laying New Zealand (Pty) Ltd. for NZD 3,881 thousand, equal to Euro 2,094 thousand.
- the increase in the value of the equity investment in Tesmec Rail S.r.l. following the partial waiver of outstanding financial receivables in order to guarantee the company's financial resources intended to cover the investment programme of the Puglia Region of Euro 3,600 thousand.

The following table shows the main financial statement items of subsidiaries:

	31 December 2024						
(Euro in thousands)	% held	Revenues	Net result	Assets	Liabilities	Shareholders' Equity	Book value
Subsidiaries:							
Tesmec USA, Inc.	100.00%	29,211	(493)	63,689	42,519	21,170	21,261
Tesmec SA	51.00%	9,720	763	14,045	9,951	4,094	6,296
East Trenchers S.r.l.	100.00%	430	(5)	704	487	217	265
Tesmec Automation S.r.l.	100.00%	26,375	315	37,883	36,108	1,775	4,776
Tesmec Peninsula WLL	49.00%	9,945	983	11,055	8,066	2,989	808
Tesmec Saudi Arabia	65.00%	15,813	1,209	19,524	10,860	8,664	7,822
OOO Tesmec RUS	100.00%	510	(354)	1,318	3,071	(1,753)	11
Tesmec New Technology (Beijing) LTD	100.00%	1,432	(5)	883	2,273	(1,390)	408
Marais Technologies SA	100.00%	-	(60)	17,631	2,798	14,833	10,814
Tesmec Australia Ltd.	51.00%	8,468	(1,085)	11,775	22,534	(10,759)	3,766
Marais Laying Tech. (Pty) Ltd. Nouvelle Zelande	100.00%	6,464	(1,948)	4,263	6,075	(1,812)	2,094
Bertel S.r.l.	100.00%	-	156	929	14	915	4,293
Tesmec Rail S.r.l.	100.00%	50,557	2,368	89,828	69,346	20,482	9,206
4Service S.r.l.	100.00%	19,968	502	44,347	35,929	8,418	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 a 100% basis.

(2) The remaining 49% is held by Simest S.p.A. Since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding in Tesmec 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 10 March 2025.

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 the impairment test, certain equity investments were considered jointly, where necessary, according to the subgroup to which they belong (Marais Technologies SAS, holding company of the Marais Group) or belonging to the same CGU (as in the case of 4 Service and 4 Service USA and operating in the trencher rental sector or Tesmec Automation and Bertel). In other cases, each equity investment was tested for impairment individually, depending on the different geographical area of reference or sector to which it belongs, which involves 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 2025 Budget and of the 2026-2028 Business Plan approved by the Board of Directors on 10 March 2025. 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, but not limited to, 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 period and may be affected not only by developments in the reference markets, but also by the current context of uncertainty related to the ongoing geopolitical situation, the effects of which are still unfolding. 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:

Subsidiaries	31 December 2024	2023
Tesmec USA, Inc. and 4 Service USA (United States)	14.03%	13.70%
Tesmec SA (South Africa)	19.17%	19.00%
Tesmec Automation S.r.l.	11.43%	12.00%
Tesmec New Technology (Beijing) LTD (China)	9.97%	10.10%
Marais Technologies SA (France)	12.16%	12.40%
Tesmec Australia (Australia)	12.01%	11.90%
Marais Laying NZ (New Zealand)	12.01%	N/A
Tesmec Rail S.r.l. (Italy)	12.94%	12.70%
4 Service S.r.l. (Italy)	11.36%	11.90%
East Trenchers S.r.l. (Italy)	11.36%	11.90%
Tesmec Peninsula WLL (Qatar)	12.11%	12.40%
Tesmec Saudi Arabia (Saudi Arabia)	12.35%	12.00%
Tesmec Russia	17.41%	N/A

The estimate of the reference WACCs compared with the same estimate made as at 31 December 2023 shows the general stability of the rates adopted.

To estimate cash flows beyond the explicit forecast period, the terminal value was determined based on a growth rate *g* of 1% to 3%, depending on the CGU of reference, in order to incorporate, at least in part, the higher medium-term inflation expectations compared to the previous year.

The application of the method described above led to an estimate of the value in use (or enterprise value) of the equity investments tested that, added to the corresponding net financial position, determines the value of the economic capital (equity value) to be compared with the book value. The impairment test did not reveal any impairment losses.

Moreover, note that the equity value is higher than the corresponding book value, i.e. it 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 analysis, note that a 2% increase in WACC would not result in an impairment and the adoption of a growth rate g equal to one unit would not result in an impairment.
Furthermore, in order to take into account in the sensitivity analyses certain different trends in the actual results of the 2024 financial year compared to the forecasts included in the plans of the individual CGUs developed in the previous financial year and therefore, implicitly, the unpredictability inherent in the trend of the exogenous variables that influence the company results, as well as the effectiveness of the management's actions, further sensitivity analyses were carried out that incorporate a WACC corrective factor of 4%, representative of the high risk of execution of the company plans. From these analyses, an impairment risk emerged with reference to certain CGUs, specifically with reference to the Tesmec USA CGU for approximately Euro 4.1 million, to the Marais Laying NZ CGU for approximately Euro 0.5 million and to the CGU 4 Service combined for approximately Euro 2.1 million. If the plan of the aforementioned CGUs were not to be implemented in whole or in part, the risk of impairment could manifest itself through the recognition of a loss of value during the 2025 financial year or subsequent financial years.

When preparing the interim reports expected for the current year, as required by IAS 36, the existence of impairment indicators that could make it necessary to update the impairment test will be checked.

With regard to the activities in Russia, the subsidiary in this Country, in coordination with the Parent Company, prepared estimates for the 2025 Budget and the 2026-2028 Business Plan. These estimates were based on the following main assumptions:

a) maintenance of operating activities at a minimum level, with a reduction in personnel and containment of operating costs – based on initiatives already underway;
b) maintenance of sales activities exclusively in the Energy Automation segment for products not subject to sanctions.

These estimates were used to prepare two levels of impairment tests, namely:
i) to test the value of the equity investment in Tesmec Russia of Euro 10,500 as at 31 December 2024, for which the DCF analysis showed the value of the investment to be stable;
ii) to test the receivables claimed by Tesmec S.p.A. from Tesmec Russia, equal to approximately Euro 1,830 thousand as at 31 December 2024, for which Tesmec Russia's business plan showed the future intercompany payment, over the next three years, of just over Euro 3 million, thus expecting full recovery of these amounts.

Finally, it should be noted that:
1) Tesmec took a strategic decision to maintain its operating activities in Russia, but to reduce them to a minimum. In this context, Tesmec acted locally with specific management actions aimed at restoring local efficiency with a view to making the local company financially self-sustaining, albeit to a very limited extent. Therefore, in 2024, in addition to the appointment of a new General Manager with a strong commercial background at Tesmec Russia, cost containment and margin recovery initiatives were implemented, allowing the fourth quarter of 2024 to close with a positive result, in stark contrast to previous quarters;
2) the estimates for the period 2025-2028 were calculated on the basis of the current sanctions scenario: it follows that any normalisation of this aspect could lead to a further improvement in the estimates not considered at the moment.

Trends that differ from those envisaged in the Business Plan due to internal or external factors beyond the Group's control and, with particular reference to Tesmec Russia, the evolution of the geopolitical context, could result in the need for write-downs of the values recorded under the item equity investments, for amounts even higher than those highlighted in the results of the sensitivity analyses.

The breakdown of equity investments in associates and joint ventures as at 31 December 2024 and 2023 is indicated in the table below:

	31 December	
(Euro in thousands)	**2024**	**2023**
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 2024						
(Euro in thousands)	**% held**	**Revenues**	**Net result**	**Assets**	**Liabilities**	**Shareholders' Equity**	**Equity investment value in the Consolidated Financial Statements**
Associates:							
Locavert SA	38.63%	838	5	1,010	275	735	52
Joint Ventures:							
Condux Tesmec Inc.	50.00%	6,892	368	9,039	2,647	6,392	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 2024, the impairment test carried out on the joint venture Condux Tesmec Inc. did not reveal any lasting losses in value.

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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Guarantee deposits	4	4
Financial receivables from third-party customers	5,791	4,017
Financial receivables from related parties	19,299	18,145
Total financial receivables and other non-current financial assets	**25,094**	**22,166**

As at 31 December 2024, financial receivables and other non-current financial assets totalled Euro 25,094 thousand, up Euro 2,928 thousand on the previous year.

Financial receivables from third parties are shown net of a write-down of Euro 901 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 856 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Advances to Suppliers	30	213
Raw materials and consumables	23,624	27,983
Work in progress	1,477	1,704
Finished products and goods for resale	3,584	5,318
Total inventories	**28,715**	**35,218**

The measurement bases of inventories remained unchanged compared to the prior financial year. The item as a whole decreased by 18.5% compared to the prior financial year.

The changes in the provisions for inventory obsolescence for the years ended 31 December 2024 and 2023 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Value as at 1 January	3,673	3,910
Provisions	980	254

Uses	(1,053)	(491)
Total provisions for inventory obsolescence	**3,600**	**3,673**

The value of the provisions for inventory obsolescence decreased by Euro 73 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Trade receivables from third-party customers	18,104	13,909
Trade receivables from related parties	28,688	28,497
Total trade receivables	**46,792**	**42,406**

For terms and conditions relating to receivables from related parties, refer to note 35.

Trade receivables as at 31 December 2024 amounted to Euro 46,792 thousand and increased by Euro 4,386 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 2024 and 2023 are indicated in the table below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Value as at 1 January	2,150	2,809
Provisions	133	251
Reclassification	-	(899)
Uses	(67)	(11)
Total provisions for doubtful accounts	**2,216**	**2,150**

The value of provisions for doubtful accounts increased by a total of Euro 66 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 2024 and 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Financial receivables from related parties	58,017	56,136
Financial receivables from third parties	7,236	3,417
Other current financial assets	155	866
Total financial receivables and other current financial assets	**65,408**	**60,419**

The increase in *financial receivables and current financial assets* (Euro 4,989 thousand) is mainly due to the increase in receivables from third parties of Euro 3,819 thousand and to the increase in credit positions of Euro 1,881 thousand 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 17,287 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 12,649 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Tesmec Rail S.r.l. of Euro 7,917 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 2024 and as at 31 December 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Prepaid expenses	1,347	1,326
VAT credit	1,376	-
Other tax receivables	578	703
Other receivables	391	339
Receivables from subsidiaries	1,186	1,281
Advance to suppliers for services	363	1,083
Total other current assets	**5,241**	**4,732**

Other current assets is considered receivable and therefore not subject to value adjustment; the item decreased by Euro 509 thousand compared to the previous financial year. This decrease is mainly related to the item "VAT credit" of Euro 1,376 thousand.

13 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Bank and post office deposits	12,797	22,269
Cash on hand	8	15
Total cash and cash equivalents	**12,805**	**22,284**

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 2024 amounted to Euro 12,805 thousand and decreased of Euro 9,479 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Revaluation reserve	86	86
Extraordinary reserve	36,291	36,291
Reserve for first-time adoption of IFRS 9	(391)	(391)
Severance indemnity valuation reserve	(236)	(268)
Network reserve	754	754
Other reserves	3,995	803
Total other reserves	**40,499**	**37,275**

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 18 April 2024, with the approval of the 2023 financial statements, the Shareholders' Meeting decided to carry forward the profit for the year of the Parent Company of Euro 3,192 thousand and allocate it to the legal reserve of Euro 168 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 (*)	38,591	-	-
Reserve of Treasury Shares	(2,340)				
Earnings reserves:					
Legal reserve	2,516	B			
Revaluation reserve	86	A, B, C	86	-	-
Extraordinary reserve	36,291	A, B, C	36,291	-	-
Reserve for first-time adoption of IFRS 9	(391)				
Severance indemnity valuation reserve	(236)				
Network reserve	754				
Other reserves	3,995	B			
Profit/(loss) for the period	3,356				
Total	**98,948**		**74,968**	**-**	**-**

(*) 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 2024 and as at 31 December 2023, with separate disclosure of total loans and current portion:

	31 December			
(Euro in thousands)	2024	of which current portion	2023	of which current portion
Domestic fixed-rate bank loans	16,055	8,883	24,897	8,842
Domestic floating-rate bank loans	52,695	18,193	60,578	19,932
Shareholder loan	2,099	200	2,099	200
Total medium/long-term loans	**70,849**	**27,276**	**87,574**	**28,974**
less current portion	(27,276)		(28,974)	
Non-current portion of medium/long-term loans	**43,573**		**58,600**	
Medium/long-term loan due to Simest	4,718	-	4,718	-
less current portion	-		-	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**48,291**	**27,276**	**63,318**	**28,974**

Some loan contracts, the residual value of which at the end of the reporting year amounted to Euro 37.6 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.

It should be noted that the net financial position derived from the consolidated financial statements and used to calculate the covenants does not include the financial payables relating to Groupe Marais, which have been reclassified in accordance with IFRS 5. If the Group had also included these payables in the Group net financial position, the covenants relating to some of the existing loans would not have been met, resulting in the reclassification to short-term of financial payables amounting to Euro 6,846 thousand due to the termination of the benefit of the time limit envisaged in the relevant loan contracts, with potential impacts on the verification of the capacity of the Company and the Group to meet its obligations in the foreseeable future of 12 months from the end of the reporting period.

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.

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 for 2025 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 2024, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Residual value as at 31 December 2024	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	16,055	8,883	7,172	-
Domestic floating-rate bank loans	52,695	18,193	34,502	-
Shareholder loan	2,099	200	1,899	-
Total	**70,849**	**27,276**	**43,573**	**-**

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 2024, 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)	2024	*of which with related parties and group*	2023	*of which with related parties and group*
Cash and cash equivalents	(12,805)		(22,284)	
Current financial assets	(65,408)	*(58,017)*	(60,419)	*(56,136)*
Current financial liabilities	74,069	*4,986*	70,447	*202*
Current financial liabilities from rights of use	3,659	*2,594*	2,664	*1,731*
Current portion of derivative financial instruments	47			
Current financial indebtedness	**(438)**	***(50,437)***	**(9,592)**	***(54,203)***
Non-current financial liabilities	55,866	*1,899*	63,318	*1,899*
Non-current financial liabilities from rights of use	5,755	*3,241*	6,884	*3,836*
Non-current portion of derivative financial instruments	176			
Non-current financial indebtedness	**61,797**	***5,140***	**70,202**	***5,735***
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**61,359**	***(45,297)***	**60,610**	***(48,468)***

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2024, is equal to Euro 51,945 thousand with an increase of Euro 883 thousand compared to the end of 2023.

Net indebtedness stood at Euro 61,359 thousand as at 31 December 2024, an increase from Euro 60,610 thousand as at 31 December 2023.

We also report the following changes:

- decrease in current financial indebtedness of Euro 9,154 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 9,479 thousand;
  - increase in current financial liabilities of Euro 3,622 thousand mainly due to the short-term reclassification to short-term of the portions to be reimbursed in 2025;
- decrease in medium/long-term financial indebtedness of Euro 8,405 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 5,527 thousand.

16 Non-current bond issue

The item relating to the non-current bond loan increased by Euro 7,576 thousand following the placement of a new non-convertible, unlisted and unsecured bond loan, called "Tesmec S.p.A. Euribor 6M + 3,65% 2024-2029 - Amort Euro 8.000.000", represented by 80 bearer securities with a unit nominal value of Euro 100,000 and a total principal amount of Euro 8 million. The Bond Issue, fully subscribed by Mediocredito Centrale, Finlombarda S.p.A., the financial company of the Lombardy Region, and Banca Finint S.p.A., will expire on 19 December 2029 and have an annual gross nominal variable interest rate equal to the 6M Euribor rate + 3.65%, net of any step-ups related to compliance with certain financial parameters, with a grace period of 12 months. As at 31 December 2024, the residual debt amounted to Euro 7,576 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 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Non-current financial liabilities from rights of use	5,755	6,884
Current financial liabilities from rights of use	3,659	2,664
Total financial liabilities from rights of use	**9,414**	**9,548**

All in all, financial liabilities from rights of use decreased by Euro 134 thousand following the repayments made in 2024.

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 2024 and 2023 are shown in the table below:

Counterparties	**Type**	**Debt interest rate (fixed)**	**Credit interest rate (variable)**	**Start date**	**Maturity date**	**Notional principal (Euro)**	**Fair Value as at 31 December (Euro/000)**	
							2024	**2023**
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01 February 2019	30 June 2025	142,857	2	12
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01 July 2020	30 June 2025	526,316	5	45
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18 May 2020	31 March 2025	833,333	6	113
INTESA	IRS	Fixed interest rate - 0.18%	3-month Euribor	20 July 2021	30 June 2027	2,272,727	72	165
Credite Agricole	CAP	Fixed interest rate USD/EUR 1.1090	-	04 October 2024	15 January 2025	1,000,000	(60)	-
BCC Leasing	CAP	Fixed interest rate 2.94%	3-month Euribor	30 September 2024	31 March 2029	3,600,000	(62)	-

BCC Leasing	CAP	Fixed interest rate 3.05%	3-month Euribor	30 September 2024	30 June 2027	10,000,000	(114)	-
Assets for derivative instruments within the financial year							**13**	**-**
Assets for derivative instruments beyond the financial year							**72**	**335**
Liabilities for derivative instruments within the financial year							**(60)**	**-**
Liabilities for derivative instruments beyond the financial year							**(176)**	**-**

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 2024 and 31 December 2023 of employee benefits:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Present value of the liability at the beginning of the period	1,197	1,239
Financial expense	33	43
Benefits paid	(292)	(112)
Financial loss (profit)	(42)	27
Present value of the liability at the end of the period	**896**	**1,197**

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)	**2024**	**2023**
Annual discount rate	3.40%	3.20%
Inflation rate	2.00%	2.50%
Total annual salary increase rate	3.00%	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	34	27
Reported value for liabilities with respect to defined benefit plans	865	929

Technical and demographic bases

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
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)	**2024**	**2023**
Advance frequency %	1.02%	5.00%
Turnover frequency %	1.50%	6.20%

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 2024 and 2022 financial years:

	31 December	
(Euro in thousands)	**2024**	**2023**
Advances from banks against invoices and bills receivables	35,904	35,286
Financial payables due from affiliated companies	4,986	202
Payables due to factoring companies	6,101	4,940
Financial payables due to SIMEST	-	-
Current portion of medium/long-term loans	27,078	28,773
Total interest-bearing financial payables (current portion)	**74,069**	**69,201**

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 decreased by Euro 1,246 thousand as a result of the repayment 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 Bond Issue, placed by Banca Finint, was repaid on 30 June 2024.

22 Trade payables

The breakdown of *Trade payables* as at 31 December 2024 and as at 31 December 2023, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2024**	**2023**
Trade payables due to third-parties	39,683	37,897
Trade payables due to related parties	13,168	8,760
Total trade payables	**52,851**	**46,657**

Trade payables as at 31 December 2024 increased compared to the previous financial year by Euro 6,194 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 2024 and as at 31 December 2023, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2024**	**2023**
Current IRES tax liabilities	1,569	2,031
Current IRAP tax liabilities	256	273
Total income taxes payable	**1,825**	**2,304**

The item *IRES and IRAP taxes payable* as at 31 December 2024 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 2024/2026 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 2024 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. – 2024 IRES	Euro	989 thousand
4 Service S.r.l. - 2024 IRES	Euro	70 thousand
East Trenchers S.r.l. – 2024 IRES	Euro	119 thousand
Total	Euro	1,178 thousand

- "Other current liabilities" of the statement of financial position, which includes the payable of Euro 5 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:

East Trenchers S.r.l. - transfer of 2025 tax loss	Euro	5 thousand
Total	Euro	5 thousand

The tax result for the 2024 financial year referring to the tax consolidation consists, in summary, of the following:

(Euro in thousands)	Financial year ended 31 December 2024
Tax income (loss) of the consolidating company Tesmec S.p.A.	1,649
Tax income (loss) of the consolidated company Tesmec Rail S.r.l.	4,121
Tax income (loss) of the consolidated company Tesmec Automation S.r.l.	291
Tax income (loss) of the consolidated company 4 Service S.r.l.	497
Tax income (loss) of the consolidated company East Trenchers S.r.l.	(19)
Tax income (loss) of the consolidated company Bertel S.r.l.	
Total consolidated tax income (loss)	**6,539**

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 2024 and 2023 are indicated below:

	Financial year ended 31 December	
(Euro in thousands)	2024	2023
Value as at 1 January	434	460
Provisions	50	54
Uses	(70)	(80)
Value as at 31 December	**414**	**434**

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 2024 and 2023:

	31 December	
(Euro in thousands)	2024	2023
Due to social security	1,008	1,290
Due to trade funds	141	166
Due to employees and collaborators	2,221	2,482
Due to others	34	33
VAT debit	-	1,321
Other income taxes payable	1,623	1,295
Payables due to related parties	5	33
Accrued expenses and liabilities	501	724
Total other current liabilities	**5,533**	**7,344**

Other current liabilities decreased compared to the prior financial year of Euro 1,811 thousand and mainly refer to the decrease in VAT Debit of Euro 1,321 thousand.

This item “Other income taxes payable “ also includes Euro 852 thousand relating to past due payables from tax authorities for withholdings on employees for which offsetting with VAT credit is expected at the end of the reporting period.

26 Taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2024 and 2023:

	31 December	
(Euro in thousands)	**2024**	**2023**
Deferred tax assets	1,919	6,752
Deferred tax liabilities	214	5,239

The breakdown of net deferred taxes as at 31 December 2024 and 2023 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)	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Deferred tax assets						
Right of use translational leases	60	13	-	-	47	13
Obsolescence fund	1,005	1,025	-	-	(20)	(66)
Unrealised exchange-rate losses	-	4,911	-	-	(4,911)	1,224
Tax effect on UCC gain reversals	9	20	-	-	(11)	(12)
Provision for bad debts	311	317	-	-	(6)	(6)
Write-down of financial receivables	374	309	-	-	65	19
Other temporary differences	160	157	-	-	3	(1)
Total deferred tax assets	**1,919**	**6,752**	**-**	**-**	**(4,833)**	**1,171**
Deferred tax liabilities						
Unrealised exchange rate gains	-	(5,032)	-	-	5,032	(485)
Profits allocated to network reserve	(199)	(199)	-	-	-	-
Other temporary differences	(15)	(8)	(10)	6	3	6
Total deferred tax liabilities	**(214)**	**(5,239)**	**(10)**	**6**	**5,035**	**(479)**
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	**1,705**	**1,513**				
Represented in the income statement as follows:						
Deferred tax assets	**(4,833)**	**1,171**				
Deferred tax liabilities	**5,035**	**(479)**				
Deferred tax liabilities, net	**202**	**692**				

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 2024 and 2023 are summarised below:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Pre-tax profit/(loss)	**3,803**	**3,830**
Current taxation	(647)	(1,162)
Deferred tax liabilities/(assets)	202	692
Total taxes	**(447)**	**(470)**

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		
		2024		
(Euro in thousands)		IRES	IRAP	Total
Profit before tax	**A**	**3,803**	**3,803**	
Difference in taxable income between IRES and IRAP	B	-	1,888	
	C=A+B	3,803	5,691	
Nominal rate (%)	D	24.0%	3.9%	
Theoretical taxes	**E=C*D**	**913**	**222**	**1,135**
Tax effect on permanent differences	F	(729)	38	(691)
Tax effect on temporary differences	G	426	(43)	383
Tax effect on the re-absorption of temporary differences	H	(214)	39	(175)
Tax effect of energy saving deductions	I	(1)	-	(1)
Current taxation posted to the income statement	**L=E+F+G+H+I**	**395**	**256**	**651**
Deferred tax liabilities	M	(5,034)	-	(5,034)
Deferred tax assets	N	4,828	5	4,833
Taxes related to prior financial years	O	(46)	44	(2)
Income from tax consolidation	P	-	-	-
Aggregate tax posted to the income statement	**Q=L+M+N+O+P**	**143**	**305**	**448**

Comments to the main items in the income statement

27 Revenues from sales and services

In the 2024 and 2023 financial years, revenues from sales and services amounted to Euro 124,329 thousand and Euro 127,612 thousand respectively, a decrease of 2.6%. The breakdown is set below:

	Financial year ended 31 December	
(Euro in thousands)	2024	2023
Sales of products	121,152	124,310
Services rendered	3,177	3,302
Total revenues from sales and services	**124,329**	**127,612**

Revenues from *sales of goods* refer to transfer of machines and equipment for Energy, Trenchers and Rail.
In the 2024 financial year, revenues of Euro 6.9 million were recognized (Euro 17.2 million at 31 December 2023) relating to completed machinery (mainly trenchers) and not yet shipped to the customer (bill and hold) as of 31 December 2024 for reasons beyond the control of the Company. These revenues were recognized in the income statement since the provisions of IFRS 15 were met, including the presence of a substantial motivation (such as a customer request motivated by objective and substantial circumstances), as well as the circumstance that the product was identified separately and therefore ready to be transferred to the customer without the Company having the right to use it or allocate it to other customers. The determination of these aspects required Management to make a subjective assessment of the elements to be considered and their scope with respect to the transaction in question.

28 Cost of raw materials and consumables

For the financial years as at 31 December 2024 and 2023, cost of raw materials and consumables amounted to Euro 74,769 thousand and Euro 74,031 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	2024	2023
Cost for the purchase of raw materials and consumables	68,285	68,496
Change in inventories	6,484	5,535
Total cost of raw materials and consumables	**74,769**	**74,031**

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 2024 and in 2023 to Euro 22,154 thousand and Euro 22,867 thousand, respectively.

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Transport, customs and incidental expenses	3,549	2,942
Outsourced work service	4,648	5,361
Services for legal, tax, technical and other consultancy	5,349	5,363
External production services	475	147
Banking services	766	589
Information systems services	814	924
Insurance	878	897
Energy, water, gas, telephone expenses and postage	953	1,030
Board and lodging expenses and travelling allowance	1,092	913
Advertising and other selling expenses	434	349
Directors' and Auditors' fees	1,017	1,020
Maintenance services	329	410
Commissions and additional expenses	1,336	2,056
Other general expenses	514	866
Total costs for services	**22,154**	**22,867**

This item decreased by Euro 713 thousand (3.1%) as a result of a general reduction in some cost categories following a prudent cost containment policy.

30 Payroll costs

During the financial years ended 31 December 2024 and 2023, payroll costs amounted to Euro 25,031 thousand and Euro 23,911 thousand, respectively, with an increase of 8.8% due to the adjustment of the workforce and contractual increases.

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Wages and salaries	18,994	18,302
Social security charges	4,600	4,122
Employee severance indemnity	1,218	1,191
Other personnel costs	219	296
Total payroll costs	**25,031**	**23,911**

31 Other operating costs/revenues, net

During the financial years ended 31 December 2024 and 2023, *other operating costs/revenues, net* amounted to Euro 5,094 thousand and Euro 2,070 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Provisions for risks and other net provisions	133	251
Rents	110	231
Hiring	2,089	934
Sundry taxes	197	145
Other revenues	(9,207)	(5,336)

Income for Research and Development tax credits	(136)	(89)
Contingent assets/liabilities/losses	(413)	(366)
Other expenses	2,133	2,160
Total other operating costs/revenues, net	**(5,094)**	**(2,070)**

The item *other operating costs/revenues, net* increased by Euro 3,024 thousand compared to the previous year, mainly due to the increase in the item "Other revenues" of Euro 3,871 thousand. This item includes revenues for chargebacks to subsidiaries for centrally incurred overhead costs.

The item Provisions for risks and other provisions of Euro 133 thousand is related to the allowance for doubtful receivables.

32 Amortisation and depreciation

During the financial years ended 31 December 2024 and 2023, amortisation and depreciation amounted to Euro 7,394 thousand and Euro 5,784 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)	**2024**	**2023**
Amortisation of intangible assets	2,850	2,266
Depreciation of property, plant and equipment	726	721
Depreciation of right of use	3,818	2,797
Total amortisation and depreciation	**7,394**	**5,784**

33 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2024 and 31 December 2023 amounted to Euro 4,190 thousand and Euro 4,224 thousand, respectively.
The percentage incidence on revenues of development costs capitalised increased from 3.3% for the 2023 financial year to 3.4% for the 2024 financial year.

34 Financial expenses

During the financial years ended 31 December 2024 and 2023, financial expenses amounted to Euro 16,227 thousand and Euro 15,967 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Bank interest expenses	271	87
Interests payable for factoring and billing discounts	986	743
Interests payable on interest-bearing medium/long-term loans and borrowings	5,130	5,487
Interests payable on advance loans on exports	1,929	1,298
Other sundry financial expenses	1,702	1,271
Financial expenses on rights of use	668	385
Realised foreign exchange losses	278	820
Unrealised foreign exchange losses	4,506	5,458
Fair value adjustment of derivative instruments	486	418
Provision for risks on financial receivables	271	-
Total financial expenses	**16,227**	**15,967**

The item *financial expenses* shows an increase of Euro 260 thousand compared to the previous financial year, mainly due to the increase in the item Interests payable on advance loans on exports of Euro 631 thousand.

35 Financial income

During the financial years ended 31 December 2024 and 2023, financial income amounted to Euro 15,765 thousand and Euro 12,484 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	**2024**	**2023**
Interests from banks	32	73
Realised foreign exchange gains	366	532
Unrealised foreign exchange gains	5,213	3,307
Sundry income	10,154	8,572
Total financial income	**15,765**	**12,484**

Financial income increased by Euro 3,281 thousand mainly due to the increase in exchange rate gains (realised and unrealised) of Euro 1,740 thousand due to a more favourable USD/EUR exchange rate trend.
The item "*sundry income*" includes the dividends approved during the 2024 financial year by the subsidiaries:

- Tesmec Rail S.r.l. of Euro 2,000 thousand;
- 4 Service S.r.l. of Euro 500 thousand;
- Bertel S.r.l. of Euro 700 thousand;
- East Trenchers S.r.l. of Euro 50 thousand;
- Condux Tesmec Inc. of Euro 144 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 applicable shareholders:

	31 December									
	2024									
(Euro in thousands)	Financial receivables and other non-current financial assets	Trade receivables	Current financial receivables	Other current assets	Non-current financial payables	Non-current financial liabilities from rights of use	Current financial payables	Trade payables	Current financial liabilities from rights of use	Other current liabilities
Subsidiaries:										
Tesmec USA Inc.	19,299	3,298	-	(1)	-	-	4,786	3,204	-	-
East Trencher S.r.l.	-	11	299	-	-	-	-	49	-	5
Tesmec Peninsula	-	1,504	3,250	-	-	-	-	1,274	-	-
Tesmec SA	-	3,430	2,282	-	-	-	-	-	-	-
Tesmec RUS	-	1,359	471	-	-	-	-	-	-	-
Bertel S.r.l.	-	1	-	-	-	-	-	-	-	-
Tesmec Automation S.r.l.	-	573	12,649	70	-	-	-	1	-	-
Tesmec New Technology (Beijing)	-	69	1,780	-	-	-	-	576	-	-
Tesmec Rail S.r.l.	-	8,923	7,917	989	-	-	-	188	-	-
4Service S.r.l.	-	1,628	3,422	119	-	-	-	5,014	-	-
Tesmec Saudi Arabia	-	2,906	-	-	-	-	-	269	-	-
4Service USA LLC	-	-	-	-	-	-	-	-	-	-
Marais Technologies SAS	-	50	2,022	-	-	-	-	-	-	-
Group Marais SAS	-	137	455	-	-	-	-	164	-	-
Tesmec Australia Ltd.	-	1,495	17,287	9	-	-	-	-	-	-
Marais Laying Tech. Ltd. NZ	-	54	1,193	-	-	-	-	-	-	-
MIR SA	-	4	-	-	-	-	-	-	-	-
Marais Cote d'Ivoire	-	68	302	-	-	-	-	-	-	-
Tesmec Guinee	-	1,306	3,986	-	-	-	-	-	-	-
Tesmec Maroc SARL	-	42	-	-	-	-	-	(20)	-	-

Tesmec Energy EURL	-	-	-	-	-	-	-	56	-	-
Subtotal	**19,299**	**26,858**	**57,315**	**1,186**	**-**	**-**	**4,786**	**10,775**	**-**	**5**
Associates:										
Locavert S.A.	-	35	-	-	-	-	-	-	-	-
Subtotal	**-**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	-	1,222	310	-	-	-	-	86	-	-
Subtotal	**-**	**1,222**	**310**	**-**	**-**	**-**	**-**	**86**	**-**	**-**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-	-	-	39	-	-
Dream Immobiliare S.r.l.	-	-	77	-	-	3,241	-	2,056	2,594	-
TTC S.r.l.	-	-	-	-	-	-	-	75	-	-
RX S.r.l.	-	9	-	-	213	-	-	20	-	-
Fi.ind.	-	12	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	-	552	315	-	1,686	-	200	117	-	-
ICS Tech. S.r.l. (now M.T.S. Officine meccaniche S.p.A.)	-	-	-	-	-	-	-	-	-	-
TCB Sport S.r.l.	-	-	-	-	-	-	-	-	-	-
Subtotal	**-**	**573**	**392**	**-**	**1,899**	**3,241**	**200**	**2,307**	**2,594**	**-**
Total	**19,299**	**28,688**	**58,017**	**1,186**	**1,899**	**3,241**	**4,986**	**13,168**	**2,594**	**5**

	31 December									
	2023									
(Euro in thousands)	**Financial receivables and other non-current financial assets**	**Trade receivables**	**Current financial receivables**	**Other current assets**	**Non-current financial payables**	**Non-current financial liabilities from rights of use**	**Current financial payables**	**Trade payables**	**Current financial liabilities from rights of use**	**Other current liabilities**
Subsidiaries:										
Tesmec USA Inc.	18,145	489	230	-	-	-	-	-	-	-
East Trencher S.r.l.	-	13	345	34	-	-	-	194	-	-
Tesmec Peninsula	-	496	4,924	-	-	-	-	1,437	-	-
Tesmec SA	-	2,009	2,310	-	-	-	-	-	-	-
Tesmec RUS	-	1,390	504	-	-	-	-	-	-	-
Bertel S.r.l.	-	2	-	-	-	-	2	-	-	4
Tesmec Automation S.r.l.	-	571	8,425	-	-	-	-	11	-	29
Tesmec New Technology (Beijing)	-	128	1,124	-	-	-	-	(191)	-	-
Tesmec Rail S.r.l.	-	9,510	6,981	935	-	-	-	-	-	-
4Service S.r.l.	-	173	4,742	312	-	-	-	5,896	-	-
Tesmec Saudi Arabia	-	3,416	-	-	-	-	-	75	-	-
4Service USA LLC	-	-	-	-	-	-	-	-	-	-
Marais Technologies SAS	-	52	1,917	-	-	-	-	-	-	-
Group Marais SAS	-	1,334	1,805	-	-	-	-	223	-	-
Tesmec Australia Ltd.	-	2,656	17,956	-	-	-	-	5	-	-
Marais Laying Tech. Ltd. NZ	-	36	1,166	-	-	-	-	-	-	-
MIR SA	-	4	-	-	-	-	-	-	-	-
Marais Cote d'Ivoire	-	33	216	-	-	-	-	-	-	-
Tesmec Guinee	-	3,217	1,680	-	-	-	-	2	-	-
Tesmec Maroc SARL	-	42	-	-	-	-	-	(20)	-	-
Tesmec Energy EURL						-			-	
Subtotal	**18,145**	**25,571**	**54,325**	**1,281**	**-**	**-**	**2**	**7,632**	**-**	**33**
Associates:										
Locavert S.A.	-	17	-	-	-	-	-	-	-	-
Subtotal	**-**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	-	2,056	1,734	-	-		-	-	-	-

Subtotal	-	**2,056**	**1,734**	-	-	-	-	-	-	-
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-		-	39	-	-
Dream Immobiliare S.r.l.	-	-	77	-	-	3,836	-	986	1,731	-
TTC S.r.l.	-	-	-	-	-	-	-	-	-	-
RX S.r.l.	-	6	-	-	213	-	-	16	-	-
Fi.ind.	-	9	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	-	739	-	-	1,686	-	200	87	-	-
ICS Tech. S.r.l. (now M.T.S. Officine meccaniche S.p.A.)	-	99	-	-	-	-	-	-	-	-
TCB Sport S.r.l.	-	-	-	-	-	-	-	-	-	-
Subtotal	-	**853**	**77**	-	**1,899**	**3,836**	**200**	**1,128**	**1,731**	-
Total	**18,145**	**28,497**	**56,136**	**1,281**	**1,899**	**3,836**	**202**	**8,760**	**1,731**	**33**

	Financial year ended 31 December					Financial year ended 31 December				
	2024					2023				
(Euro in thousands)	Revenues	Cost of raw materials	Costs for services	Other operating costs/ revenues, net	Financial income and expenses	Revenues	Cost of raw materials	Costs for services	Other operating costs/ revenues, net	Financial income and expenses
Subsidiaries:										
Tesmec USA, Inc.	6,184	(3,286)	(502)	(124)	792	13,522	(1,491)	(71)	160	578
East Trencher S.r.l.	1	-	(136)	6	69	2	-	(162)	12	19
Tesmec Peninsula	3,032	(1,754)	(186)	80	263	2,979	(1,441)	(172)	6	101
Tesmec SA	4,154	-	-	25	268	2,098	-	-	10	252
Tesmec RUS	79	-	-	-	-	137	-	-	-	-
Bertel S.r.l.	-	-	-	3	725	-	-	-	2	2
Tesmec Automation S.r.l.	32	(3)	(16)	318	749	91	-	-	244	718
Tesmec New Technology (Beijing)	150	(431)	(662)	1	122	88	(238)	(420)	1	106
Tesmec Rail S.r.l.	2,544	(110)	(73)	6,316	2,921	7,187	(324)	-	3,115	3,377
4Service S.r.l.	1,476	(6,438)	-	(1,482)	820	1,234	(4,859)	-	(427)	339
Tesmec Saudi Arabia	3,866	-	(268)	65	-	5,121	-	(1,213)	15	-
4Service USA LLC	-	-	-	-	-	-	-	-	7	-
Marais Technologies SAS	-	-	-	-	104	-	-	-	-	93
Group Marais SAS	1,816	(239)	(245)	189	(19)	2,387	(608)	(118)	138	249
Tesmec Australia Ltd.	1,192	-	-	681	1,698	3,736	-	(11)	39	1,436
Marais Laying Tech. Ltd. NZ	2	-	-	2	112	900	-	-	18	24
MIR SA	-	-	-	-	-	-	-	-	-	-
Marais Cote d'Ivoire	102	-	-	1	18	41	-	-	2	13
Tesmec Guinee	1,380	-	-	3	319	3,339	-	-	6	135
Tesmec Maroc SARL	-	-	-	-	-	42	-	-	-	-
Tesmec Energy EURL	-	-	(56)	-	-	-	-	-	-	-
Subtotal	**26,010**	**(12,261)**	**(2,144)**	**6,084**	**8,961**	**42,904**	**(8,961)**	**(2,167)**	**3,348**	**7,442**
Associates:										
Locavert S.A.	84	-	-	-	-	113	-	-	-	-
Subtotal	**84**	-	-	-	-	**113**	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	2,665	(5)	(162)	277	235	8,952	(2)	(1)	277	63
Subtotal	**2,665**	**(5)**	**(162)**	**277**	**235**	**8,952**	**(2)**	**(1)**	**277**	**63**
Related parties:										
Ambrosio S.r.l.	-	-	-	(4)	(2)	-	-	-	(4)	(3)
Dream Immobiliare S.r.l.	-	-	-	(98)	(258)	-	-	-	(222)	(266)
RX S.R.L.	-	-	-	2	(4)	-	-	-	5	(4)
TTC S.r.l.	-	-	(114)	6	-	-	-	(72)	16	-
Fi.ind.	-	-	-	3	-	-	-	-	7	-
M.T.S. Officine meccaniche S.p.A.	1,375	(4)	(2)	13	(113)	1,625	-	(12)	14	(79)

ICS Tech. S.r.l. (now M.T.S. Officine meccaniche S.p.A.)	-	-	-	1	-	31	-	(8)	3	-
TCB Sport S.r.l.	-	-	(2)	2	-	-	-	-	2	-
Subtotal	**1,375**	**(4)**	**(118)**	**(75)**	**(377)**	**1,656**	**-**	**(92)**	**(179)**	**(352)**
Total	**30,134**	**(12,270)**	**(2,424)**	**6,286**	**8,819**	**53,625**	**(8,963)**	**(2,260)**	**3,446**	**7,153**

37 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2024:

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 Franco Marcozzi	Statutory Auditor	26,000	-	26,000
Laura Braga	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2024 financial year amounted to Euro 404 thousand (Euro 404 thousand in the 2023 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 2024 and 2023 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**	
			2024	**2023**
Audit of the financial statements and consolidated financial statements	Deloitte & Touche S.p.A.	Tesmec S.p.A.	150	199
Limited half-year auditing	Deloitte & Touche S.p.A.	Tesmec S.p.A.	28	32
Limited auditing of the Sustainability statement	Deloitte & Touche S.p.A.	Tesmec S.p.A.	118	57
Certification services	Deloitte & Touche S.p.A.	Tesmec S.p.A.	-	25
Of which:				
4.0 training expense schedule			-	*2*
R&D expense schedule			-	*23*
Total			**296**	**313**

39 Legal and tax disputes

At the end of the reporting period, the Company is a party to some tax disputes.

On 19 March 2024, the parent company Tesmec S.p.A. received a notice of assessment from the Italian Inland Revenue for the 2017 tax year, following a cross-examination that began with a questionnaire received by the Italian Inland Revenue in September 2023. In this regard, the Italian Inland Revenue disputed the deductibility of the costs related to the then existing relationship with SIMEST S.p.A., a public company that was at the time the Group's partner in foreign investments in the United States and France, and assessed a higher tax of Euro 150 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 notice. On 21 October 2024, the Tax Court of Milan upheld the appeal of Tesmec Automation S.r.l. in full.

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 2024 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 2024 and 2023, they are summarised as follows:

	31 December	
(Euro in thousands)	**2024**	**2023**
Sureties	162,596	135,062
Total commitments and risks	**162,596**	**135,062**

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

Significant events occurred after the reporting period:

- on 28 January 2025, the Parent Company Tesmec S.p.A. announced the development of a series of strategic initiatives in France - started in December 2024 with the signing of the Binding Termsheet with OT Engineering - with the aim of further strengthening the Group's competitive position and increasing the synergies between the various divisions for further development of the local market.

  In particular, Tesmec reorganised its French subsidiary, Groupe Marais, to focus its activities on the rental of its fleet of machines as part of its mechanised cable-laying services, while the production and sale of Trenchers was transferred to a new company, Tesmec France, wholly owned by Tesmec.

  To strengthen the industrial project, the obligations envisaged by the agreement signed in December 2024 by the French subsidiary Groupe Marais SAS, focused on the core business of rental, with OT Engineering (a French company of the Comergy group) which will acquire 50% of the share capital continued; as a result of this agreement, the Tesmec Group loses control of Group Marais SAS, over which joint control will be exercised with the other shareholder;

- on 5 March 2025, the parent company Tesmec S.p.A. communicated to the Board of Directors of the subsidiary Tesmec Automation S.r.l. the waiver of part of the existing financing for Euro 3 million to be allocated as a capital payment.

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 2024 financial year.

2. We also certify that:

2.1 the financial statements as at 31 December 2024:

   - 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, 10 March 2025

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 2024, 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 2024

	31 December 2023		Increases.	Decreases	Other changes	31 December 2024	
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)	807,633	-	-	-	49.00% (2)	807,633
Tesmec Saudi Arabia	65.00%	7,821,661	-	-	-	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%	400,000	8,062	-	-	100.00%	408,062
Marais Technologies	100.00%	10,813,664	-	-	-	100.00%	10,813,664
Tesmec Australia (Pty) Ltd.	51.00% (3)	3,766,984	-	-	-	51.00% (3)	3,766,984
Marais Laying Tech. (Pty) Ltd. Nouvelle Zelande	-	-	2,094,215	-	-	100.00%	2,094,215
Bertel S.r.l.	100.00%	4,293,235	-	-	-	100.00%	4,293,235
Tesmec Rail S.r.l.	100.00%	5,605,882	3,600,000	-	-	100.00%	9,205,882
Total		**75,838,721**	**5,702,277**	**-**	**-**		**81,540,998**
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**

(4) 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 a 100% basis.

(5) 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.

(6) 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%.

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 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 30 April 2025 at 10:30 a.m. in single call to discuss and deliberate on the following:

AGENDA

1. **Approval of the financial statements as at 31 December 2024 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including sustainability statement; allocation of result for the period; related and consequent resolutions.**
   - **1.1 Approval of the financial statements as at 31 December 2024;**
   - **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 2025 illustrated in the first section of the report;**
   - **2.2 Consultation on the second section of the report regarding the fees paid in 2024 or relating to them.**
3. **Authorisation to purchase and dispose of treasury shares, following the revocation of the previous authorization decided by the Ordinary Shareholders' Meeting on April 18, 2024; related and consequent resolutions.**
4. **Appointment of the Board of Directors; related and consequent resolutions.**
   - **4.1 Determination of the number of members of the Board of Directors;**
   - **4.2 Determination of the period of office of the Board of Directors;**
   - **4.3 Appointment of the members of the Board of Directors;**
   - **4.4 Appointment of the Chairman of the Board of Directors;**
   - **4.5 Determination of the remuneration of the members of the Board of Directors.**
5. **Appointment of the Board of Statutory Auditors: related and consequent resolutions.**
   - **5.1 Appointment of three Standing Auditors and two Alternate Auditors;**
   - **5.2 Appointment of the Chairman of the Board of Statutory Auditors;**
   - **5.3 Determination of the remuneration of the members of the Board of Statutory Auditors.**

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, without prejudice to the provisions of that provision of the Articles of Association with reference to the increase in voting rights. At the time of this notice of call, the Company holds 4,711,879 treasury share and none of the shares have achieved the increased voting right.

Therefore, the total number of voting rights that can be exercised at the Meeting is 601,748,321.

Right to attend and vote at the Shareholders' Meeting

Pursuant to Article 8 of the Articles of Association and in accordance with the provisions of Article 135-*undecies*.1 of the Consolidated Law on Finance (T.U.F.), attendance at the Shareholders' Meeting by those entitled to vote and the exercise of voting rights may **only take place through the designated representative** without physical participation of shareholders; the aforementioned designated representative may also be granted proxies and/or sub-delegates pursuant to Article 135-*novies* of the Consolidated Law on Finance (T.U.F.), as an exception to Article 135-*undecies*, paragraph 4, of the Consolidated Law on Finance (T.U.F.).

Entitlement to attend the Shareholders' Meeting and exercise voting rights is attested by a communication to the Company, made by the intermediary, in favor of the person who is entitled to vote, based on the evidence relating to the end of the accounting day of the seventh open market day preceding the date set for the Shareholders' Meeting on single call ("record date"), coinciding with Thursday, April 17, 2025. Those who are found to own the shares only after the aforementioned record date will therefore not have the right to attend and vote at the Meeting. The broker's notice referred to above must be received by the Company by the end of the third trading day preceding the date set for the Meeting (i.e., by Friday, April 25, 2025). However, the entitlement to attend and vote remains intact if the notice is received by the Company after this deadline, provided that it is received by the start of the meeting proceedings of this convocation.

Pursuant to Article 8 of the Articles of Association, the directors, auditors, representatives of the auditing firm, notary public, Designated Representative and other persons who are allowed to attend the Shareholders' Meeting pursuant to the law and the Articles of Association, other than those who have the right to vote, may also, or only, attend the Shareholders' Meeting through the use of remote connection systems that guarantee the identification of the participants and their participation, in accordance with current and applicable regulations, in accordance with the procedures that will be made known by the Company to the aforementioned persons.

There are no procedures for voting by mail or electronic means.

Participation in the Shareholders' Meeting and conferral of proxy to the Designated Representative

Pursuant to Article 8 of the Articles of Association and in accordance with the provisions of Article 135-*undecies*.1 of the Consolidated Law on Finance (T.U.F.), attendance at the Shareholders' Meeting by those entitled to vote and the exercise of voting rights is permitted **exclusively through Computershare S.p.A**. with registered office at Via Lorenzo Mascheroni No. 19, 20145 - Milan (MI) and with offices at Via Nizza 262/73, 10126 - Turin (TO), the shareholders' representative designated by the Company, pursuant to Articles 135-*undecies* and 135-*undecies*.1 of the TUF (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 and sub-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 Monday **28 April 2025**) and the conferral of the proxy may be revoked within the aforementioned deadline and using the same methods.

The Designated Representative, notwithstanding Article 135-*undecies*, paragraph 4, of the Consolidated Law on Finance (T.U.F.), may also be given sub-delegations pursuant to Article 135-*novies* of the Consolidated Law on Finance (T.U.F.), using the same form as above, which must be received by Computershare S.p.A. in the same manner and within the terms indicated above, it being understood that the Appointed Representative may accept sub-delegations and voting instructions even after the aforementioned deadline provided that it is received by 12:00 noon on April 29, 2025.

Proxies or sub-delegations so conferred shall be effective only for those proposals in respect of which voting instructions have been 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* and Article 135-*undecies*.1, Paragraph 3, of the Consolidated Law on Finance (T.U.F.), those who are entitled to vote at the Shareholders' Meeting may ask questions on items on the agenda by the record date (i.e. by Thursday, April 17, 2025).

The questions must submitted 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 2025 - 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 (i.e. by Sunday 20 April 2025) by indicating the communication issued by the intermediary to the Company.

Questions received within the indicated deadlines will be answered by 12:00 noon of Sunday 27 April 2025, 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 additions to the agenda or the submission of further proposed resolutions on matters already on the agenda of the Shareholders' Meeting, notice shall be given, in the same form prescribed for the publication of this notice, at least 15 days before the date set for the Shareholders' Meeting. On the same date, the Company shall make available to the public, in the manner set forth in Article 125-*ter*, paragraph 1, of the Consolidated Law on Finance (T.U.F.), the further resolution proposals on matters already on the agenda, the reports submitted by the Shareholders, as well as any evaluations of the Board of Directors.

The Company reserves the right not to accept resolution proposals sent by certified mail that are illegible or transmitted with damaged or otherwise illegible files. Please indicate in the accompanying message a telephone number or e-mail address at which the sender can be contacted. For the purpose of the relevant publication, as well as in connection with the conduct of the meeting proceedings, the Company reserves the right to verify the relevance of the proposals with respect to the items on the agenda, their completeness, their compliance with applicable regulations and the legitimacy of the proposers.

The right to make individual draft resolutions

Pursuant to Article 135-*undecies*.1, paragraph 2, of the TUF, the presentation of resolution proposals at the Shareholders' Meeting is not permitted. Without prejudice to the provisions of Article 126-bis, paragraph 1, first sentence, of the Consolidated Law on Finance (T.U.F.), those entitled to vote may individually submit resolution proposals on items on the agenda or proposals whose submission is otherwise permitted by law by the fifteenth day prior to the date of the single call of the Shareholders' Meeting (i.e. by Tuesday, April 15, 2025).

The draft resolutions must be submitted by 12:00 noon of Tuesday, April 15, 2025, by having them sent by certified e-mail to tesmecspa@pec.it, with the subject line of the e-mail stating “Shareholder Meeting 2025 - 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.

Eligibility for the individual submission of resolution proposals is subject to the Company's receipt of the notice issued by the intermediary certifying ownership of the voting right provided for in Article 83-*sexies* of the Consolidated Law on Finance (T.U.F.).

The validly submitted proposals will be made available to the public within two days after the deadline for submitting them (i.e. Thursday, April 17, 2025), 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 Company reserves the right not to accept draft resolutions sent by certified mail that are illegible or transmitted with damaged or otherwise illegible files. Please indicate in the accompanying message a telephone number or e-mail address at which the sender can be contacted. For the purpose of the relevant publication, as well as in relation to the conduct of the Shareholder meeting proceedings, the Company reserves the right to verify the relevance of the proposals to the items on the agenda, their completeness, their compliance with applicable regulations and the legitimacy of the proposers.

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.

Submission of lists for the appointment of directors and auditors

Members of the Board of Directors and the Board of Statutory Auditors will be appointed on the basis of lists, submitted by shareholders in accordance with the provisions of Articles 14 and 22, respectively, of the current Articles of Association (to which reference should be made). Only those shareholders who, on the date of submission of such list, own, alone or together with others, shares with voting rights in the aggregate representing at least 4.5% of the subscribed and paid-up capital entitled to vote at the Ordinary Shareholders' Meeting for corporate offices shall have the right to submit a list. Each shareholder may not submit (or concur to submit), or vote for, even through a third party or trust company, more than one list. A candidate may be on only one list, under penalty of ineligibility.

Lists must be filed at the administrative office or sent to the Company by e-mail to the address: tesmecspa@pec.it (to the attention of Ms. Fjorela Puce) at least 25 (twenty-five) days before the date scheduled for the Shareholders' Meeting i.e. by Saturday, April 5, 2025. Please refer to Articles 14 and 22 of the Articles of Association for a detailed explanation of how and when to submit lists.

The lists will be made available to the public, on the website www.tesmec.com section “Shareholders' Meetings,” as well as in the manner prescribed by the regulations in force, by the Company without delay and in any case at least 21 (twenty-one) days before the date scheduled for the Shareholders' Meeting i.e. Wednesday, April 9, 2025.

With particular regard to the appointment of the Board of Statutory Auditors, it should be noted that in the event that, by the deadline specified for the filing of lists for the appointment of the Board of Statutory Auditors (i.e., by Saturday, April 5, 2025), only one list has been filed, or only lists submitted by as many shareholders who, on the basis of the information provided and the documentation filed in accordance with the foregoing, are connected with each other pursuant to Article 144-quinquies of the Issuers' Regulations, the Company will notify without delay and shareholders may submit lists of candidates for the appointment of statutory auditors until the third day following such date (i.e., until Tuesday, April 8, 2025). In this case: (i) the minimum shareholding required for the submission of lists will be equal to 2.25% of the subscribed and paid-up capital having the right to vote at the Ordinary Shareholders' Meeting for corporate offices; (ii) the documentation proving the ownership of such shareholding at the time of the submission of the list must in any case be filed by Wednesday, April 9, 2025 in the manner provided for in Article 22 of the Articles of Association.

Articles 14 and 22 of the Articles of Association stipulate that the renewal of the Board of Directors and the Board of Statutory Auditors must take place in compliance with the pro tempore rules on gender balance and the applicable legal and regulatory framework. A share of at least two-fifths of the elected Directors and Statutory Auditors is reserved for the less represented gender. Therefore, it is required, i) pursuant to Article 14 of the Articles of Association, that Shareholders who intend to submit a list for the renewal of the Board of Directors bearing a number of candidates equal to or greater than three, include a number of candidates belonging to the less represented gender equal to at least two-fifths of the candidates (rounded up to the next higher unit, if applicable); and ii) pursuant to Article 22 of the Articles of Association, to Shareholders who intend to submit a list for the renewal of the Board of Statutory Auditors bearing a number of candidates equal to or greater than three, to include in the section of standing auditors a number of candidates belonging to the least represented gender equal to at least two-fifths of the candidates (rounded down to the nearest whole number, if applicable), as well as, if the section of alternate auditors indicates two candidates, one of each gender.

For anything not expressly stated in this Call of Notice of Shareholders' Meeting, please refer to the Reports of the Board of Directors on the items on the agenda of the Shareholders' Meeting available in the appropriate section of the website www.tesmec.it (Section “Shareholders' Meetings”).

Lists for which all the above provisions will not be complied with will be considered as not submitted. Shareholders who intend to submit a list may contact Tesmec's Investor Relator, Ms. Fjorela Puce, in advance to acquire the necessary operational details.

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, 20 March 2025

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 30 April 2025, 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 2024 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including the sustainability statement; allocation of result for the period; related and consequent resolutions.**

   2.1 Approval of the financial statements as at 31 December 2024;

   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 comprehensive of the sustainability statement, 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, the report certifying the conformity of sustainability statement required by Article 14-bis of Legislative Decree No. 39 of January 27, 2010, as well as the reports specified in Article 153 of the Consolidated Law on Finance (T.U.F.) are made available in full to the public by the deadline for publication of the annual financial report.

The draft financial statements were approved by the Board of Directors of the Company on 10 March 2025.

The directors' report will be made available to the public, together with the draft financial statements of Tesmec as of December 31, 2024, the consolidated financial statements of Tesmec Group as of December 31, 2024, the attestation of the Executive in charge of preparing the Company's accounting documents, the report of the Board of Statutory Auditors, the report of the Independent Auditors', and the report certifying the compliance of the sustainability statement, at the Company's registered office, at Borsa Italiana S.p.A. ("**Borsa Italiana**"), as well as on the Company's website at www.tesmec.com and in the other ways 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 2024 of Tesmec that closed with a with an operating profit of Euro 3,355,588.75.

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 167,779.44

* * *

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 2024 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 2024, 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 2024 and the Board of Directors' report on operations, as well as the sustainability statement included therein and drafted in accordance with Legislative Decree 125/2024;*
- *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 2024;*

decides:

- *to approve the financial statements as at 31 December 2024;*
- *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 2024 and the Board of Directors' report on operations, as well as the sustainability statement included therein and drafted in accordance with Legislative Decree 125/2024;*
- *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 2024;*

decides:

- *to carry forward the profit for the year for Euro 3,355,588.75, and allocate it to the legal reserve for Euro 167,779.44;*
- *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, 20 March 2025

TESMEC S.p.A.

The Chairman of the Board of Directors
Ambrogio Caccia Dominioni

INDIPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT

Deloitte.

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INDEPENDENT AUDITOR'S
REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT
PURSUANT TO ARTICLE 14-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
TESMEC S.p.A.

Conclusion

Pursuant to artt. 8 and 18, paragraph 1 of Legislative Decree no. 125 of September 6, 2024 (hereinafter also the "Decree"), we have carried out a limited assurance engagement on the consolidated sustainability statement of the Tesmec Group (hereinafter also the "Group") for the year ended on December 31, 2024, prepared pursuant to Art. 4 of the Decree, included in the specific section of the management report.

Based on the work performed, nothing has come to our attention that causes us to believe that:

- the consolidated sustainability statement of the Group for the year ended on December 31, 2024 is not prepared, in all material respects, in accordance with the reporting principles adopted by the European Commission pursuant to the Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also "ESRS");

- the information included in the paragraph "4.2.4. European Taxonomy of Sustainable Activities –Regulation (EU) no. 2020/852" of the consolidated sustainability statement is not prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of June 18, 2020 (hereinafter also the "Taxonomy Regulation").

Basis for conclusion

We conducted the limited assurance engagement in accordance with the assurance standard of the sustainability report - "Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia)". The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement.
Our responsibilities pursuant to that standard are further described in the paragraph *Auditor's responsibilities for the limited assurance of the consolidated sustainability statement* of this report.

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We are independent in accordance with the independence and other ethical requirements applicable under Italian law to the limited assurance engagement of the consolidated sustainability statement.

Our firm applies International Standard on Quality Management (ISQM Italia) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matters

The comparative information for the year ended on December 31, 2023 presented in the consolidated sustainability statement has not been verified.

Responsibility of the Directors and the Board of Statutory Auditors of Tesmec S.p.A. for the consolidated sustainability statement

The Directors are responsible for developing and implementing the procedures performed to identify the information reported in the consolidated sustainability statement in accordance with the ESRS (hereinafter the "double materiality assessment process") and for disclosing this process in "*4.1.4.1 Materiality Assessment*" of the consolidated sustainability statement.
The Directors are also responsible for the preparation of the consolidated sustainability statement, which includes the information identified as part of the double materiality assessment process, in accordance with the requirements of Art. 4 of the Decree, including:

- compliance with ESRS

- compliance of the information included in the paragraph "4.2.4. European Taxonomy of Sustainable Activities –Regulation (EU) no. 2020/852" with art. 8 of the Taxonomy Regulation.

Such responsibility involves designing, implementing and maintaining, within the terms established by the law, such internal control that the Directors determine necessary to enable the preparation of the consolidated sustainability statement in accordance with the requirements of the art. 4 of the Decree that is free from material misstatements, whether due to fraud or error. Furthermore, the abovementioned responsibility involves the selection and application of appropriate methods in elaborating information and making assumptions and estimates about specific sustainability information that are reasonable in the circumstances.

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.

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Inherent limitations in the preparation of the consolidated sustainability statement

In reporting forward looking information in accordance with ESRS, the Directors are required to prepare the forward looking information on the basis of assumptions, as described in the consolidated sustainability statement, regarding events that may occur in the future and possible future actions of the Group. Due to the inherent uncertainty regarding any future event, including whether these events will take place and their extent and timing, the variances between actual outcomes and forward looking information could be significant.

The information provided by the Group regarding Scope 3 emissions is subject to greater inherent limitations compared to those related to Scope 1 and 2 emissions. This is due to the lower availability and relative accuracy of the data used to define the information on Scope 3 emissions, both quantitative and qualitative, in relation to the value chain, as indicated in the paragraph*”*
4.1.1 Reporting standards -
Disclosures in relation to specific circumstances”.

Auditor’s responsibilities for the limited assurance of the consolidated sustainability statement

Our objectives are to plan and perform procedures to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatements, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could influence the decisions of users taken on the basis of consolidated sustainability statement.

As part of the limited assurance engagement in accordance with the Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia), we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify and assess the disclosure where a material misstatement is likely to arise, either due to fraud or error;

- designing and performing procedures to verify disclosures in the sustainability statement where material misstatements are likely to arise. The risk of not detecting a material misstatement due to fraud is higher than the risk of not identifying a material misstatement due to error, as fraud may involve collusion, falsifications, intentional omissions, misrepresentations, or the override of internal control;

- the direction, supervision and performance of the limited assurance engagement of the consolidated sustainability statement. We remain solely responsible for the conclusion on the consolidated sustainability statement.

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Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence as the basis for expressing our conclusion.

The procedures performed on the consolidated sustainability statement are based on our professional judgement and included inquiries, primarily with the personnel of the Group responsible for the preparation of information included in the consolidated sustainability statement, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we performed the following main procedures partly in a preliminary phase before year end and then in a final phase up to the the date of issuance of this report:

- understanding the business model, the Group's strategies and the context in which the Group operates with reference to sustainability matters;

- understanding the processes underlying the generation, collection, and management of qualitative and quantitative information included in the consolidated sustainability statement, including an analysis of the reporting perimeter;

- understanding the process carried out by the Group for the identification and evaluation of material impacts, risks and opportunities, based on the principle of double materiality, with reference to sustainability matters;

- identification of the information where a risk of material misstatement is likely to arise, taking into considerations, among others, risk factors related to the generation and collection of the information, to the estimates and to the complexity of the related calculation methods, as well as qualitative and quantitative factors related to the nature of such information;

- design and performance of procedures, based on the professional judgment of the auditor of the consolidated sustainability report, to respond to identified risks of material misstatement also with the support of Deloitte specialists, with reference to specific environmental information;

- understanding of the process set up by the Group to identify eligible economic activities and determine their aligned nature according to the requirements of the Taxonomy Regulation, and verifying the related information included in the consolidated sustainability statement;

- comparison of the information reported in the consolidated sustainability statement with the information included in the consolidated financial statements pursuant to the applicable financial reporting framework, or with the accounting data used for the preparation of the financial statements, or with the management data accounting in nature;

- verification of the structure and presentation of the information included in the consolidated sustainability statement in accordance with ESRS, including the information related to the materiality assessment process;

- obtaining the representation letter.

DELOITTE & TOUCHE S.p.A.,

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 31, 2025

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.

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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, 2024, 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, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board andadopted 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 3.6 *"Discretionary evaluations and significant accounting estimates - Revenue"* 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 and verification of their operational effectiveness; - 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.

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Compliance with financial covenants provided in financial loan contracts	
Description of the key audit matter	Note 21 “Medium-to-long-term loans” in the consolidated financial statements reports net financial debt derived from the financial statement formats amounting to Euro 147.0 million, of which Euro 43.3 million is short-term (compared to Euro 153.5 million as at December 31, 2023, of which Euro 31.6 million was short-term). This figure does not include additional net financial liabilities of Euro 15.6 million classified under the item "Total liabilities held for sale" in accordance with IFRS 5. Certain medium-to-long-term loan agreements, with a residual value of Euro 57.3 million as at the reporting date, require compliance with financial covenants which, as of the balance sheet date, have been met—with the exception of the covenant provided for in the loan agreement of the New Zealand subsidiary Marais Laying New Zealand (Pty) Ltd., whose debt amounted to Euro 0.1 million as of the reporting date. For this loan, a waiver from the lending bank was obtained prior to the year-end in relation to the loss of the benefit of term. The Directors note that, had the Group included in the net financial debt used for the covenant calculation also the net financial liabilities classified under "Total liabilities held for sale," the covenants related to some of the existing loans would not have been met. This would have led to a reclassification of financial debt amounting to Euro 6.8 million as short-term, due to the loss of the contractually agreed benefit of term, with potential impacts on the assessment of the Group’s ability to meet its obligations over the foreseeable 12-month period from the reporting date.. 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 2025, 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 2025-2028 (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.

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	The note 21 "*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; - Analysis of the loan agreements, with particular reference to the covenants therein and the other main contractual clauses, and obtaining appropriate audit evidence supporting the waiver obtained in relation to the loan agreement of the New Zealand subsidiary Marais Laying New Zealand (Pty) Ltd.; - 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 the financial statement items included in the calculation of the financial covenants, verification of their classification in accordance with the relevant accounting standards, including the correct application of IFRS 5 for the representation of the transaction related to the 'rental' business unit of the French subsidiary Groupe Marais SA; - 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 2025, 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.
Impairment test of the Group's non-current assets and CGUs	
Description of the key audit matter	As of December 31, 2024, consolidated equity amounted to Euro 77.6 million, which remains—more significantly than already recorded at the end of the previous year—higher than the market capitalization at the same date, which stood at Euro 40.6 million and further declined in the months following year-end. The Directors considered this situation to be a trigger event requiring the performance of impairment tests in accordance with IAS 36.

As required by the international accounting standard IAS 36, in the presence of indicators of possible impairment, management subjected the carrying amount of the Group's non-current assets and those of each Cash Generating Unit ("CGU") to an impairment test, aimed at ensuring that these assets are recognized in the financial statements as of December 31, 2024, at an amount not exceeding their recoverable amount.

The recoverable amount of the non-current assets subject to the impairment test was determined by discounting the expected cash flows arising from the Group's Plan.

Following the impairment test, which was approved by the Board of Directors on March 10, 2025, the Directors concluded that the recoverable amount of the non-current assets was not lower than their carrying amount, and therefore no impairment losses were recognized.

Management's assessment process is complex and based on assumptions regarding, among other things, the forecast of expected cash flows of the Group and of the individual CGUs, as well as the determination of an appropriate discount rate (WACC).

The most relevant key variables in forecasting cash flows include:

- the performance of the reference markets in the countries where the Group operates, which are particularly affected by infrastructure investment trends;

- the performance of exogenous variables outside the Group's control, such as exchange and interest rates, as well as the evolution of the global and local macroeconomic and social environment;

- the discount and growth rates estimated by management.

These assumptions are influenced by future expectations about market conditions.

Management also carried out sensitivity analyses as described in Note 5 "Impairment Test" to the consolidated financial statements. In this regard, the Directors indicate that the sensitivity analyses show that a 2% increase in the WACC combined with a 1% reduction in the growth rate (g) would not lead to impairment. Moreover, in order to take into account certain deviations in the actual results for 2024 compared to the forecasts included in the plans of the individual CGUs prepared in the previous year, management carried out additional sensitivity analyses incorporating a 4% increase in the WACC as a corrective factor, to reflect execution risk of the plans. These analyses did not reveal any impairment risk with respect to the Group's non-current

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	assets as a whole. However, with regard to certain CGUs, an impairment risk was identified, amounting to approximately Euro 10 million, which—if the relevant CGU plans are not achieved, in whole or in part—could result in the recognition of a permanent impairment loss during the 2025 fiscal year or subsequent years. Given the materiality of the carrying amount of the non-current assets recognized in the financial statements, the subjectivity of the estimates used to determine the cash flows, and the key variables of the impairment model used for testing non-current assets, we considered the impairment test to be a key audit matter in the audit of the Group's consolidated financial statements. Note 5 "Impairment Test" in the consolidated financial statements includes disclosures on the impairment test, including the sensitivity analyses performed by management, which illustrate the potential effects that could arise from changes in certain key assumptions.
Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following, also with the support of experts: - examined the approach and methodology adopted by management for determining the recoverable amount of the Group's non-current assets and of each CGU, analyzing the assumptions used in developing the impairment test and assessing its compliance with the applicable accounting standards; - understood the key controls implemented by the Group over the impairment testing process for non-current assets at both Group and CGU level; - analyzed the reasonableness of the main assumptions used in the preparation of the Plan and the related cash flow projections, and obtained relevant information from management; - compared actual results with the original plans to assess the nature of any variances and the reliability of the planning process; - assessed the reasonableness of the discount rate (WACC) and the criteria used in determining the terminal value; - verified the mathematical accuracy of the model used in calculating the value in use; - reviewed the sensitivity analyses prepared by management and performed further independent sensitivity analyses;

- assessed the adequacy of the disclosures related to the impairment test in accordance with IAS 36.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board andadopted 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.

Deloitte.

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, 2024, 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, 2024 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.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter of Legislative Decree 39/2010 and pursuant to 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, 2024, 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;

- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of 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;

- make a statement about any material misstatement in the report on operations[and in 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.

Deloitte.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure is consistent with the consolidated financial statements of Tesmec Group as at December 31, 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the 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 and are prepared in accordance with the law..

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph (e-ter), 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.

Our opinion on the compliance with the law does not extend to the section related toof the consolidated corporate sustainability reporting. The conclusions on the compliance of that section towith the law governing its criteria of preparation and onwith the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 31, 2025

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.

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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, 2024, 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, 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board andadopted 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.

Deloitte.

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 2.5 "*Discretionary evaluations and significant accounting estimates - Revenue*" 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 and verification of their operational effectiveness; - 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.

Deloitte.

Compliance with financial covenants provided in financial loan contracts	
Description of the key audit matter	The Company's net financial indebtedness amounts to Euro 61.4 million (Euro 60.6 million as at December 31, 2023). Certain medium/long-term loan contracts, whose residual value as of the financial statements' date amounts to Euro 37.6 million, provide the respect of some financial covenants that, at the financial statements' date, are respected based on the measurement carried out on the values resulting from the consolidated financial statements of the Tesmec Group (the 'Group') as of the same date.. The Directors indicate that if the Group had included in the net financial debt used for the calculation of the covenants also the net financial liabilities classified under the item 'Total liabilities held for sale' according to IFRS 5, amounting to Euro 15.6 million, the covenants related to some of the existing loans would not have been complied with, resulting in the reclassification to short-term financial debts amounting to Euro 6.8 million due to the loss of the benefit of the contractually agreed term, with potential impacts on the assessment of the Company and the Group's ability to meet their obligations in the foreseeable future of 12 months from the financial statements' date. 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 2025, 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 2025-2028 (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 the balance sheet items included in the calculation of the financial covenants, verification of the classification in accordance with the applicable accounting standards, including the correct application of IFRS 5 for the purpose of representing the transaction related to the 'rental' business of the French subsidiary Groupe Marais SA;

- 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 81.5 million and Investments in affiliated companies for Euro 1.0 million as at December 31, 2024. As required by the international accounting standard IAS 36, in the presence of indicators of possible impairment, the Company's management has subjected the value of the investments in subsidiaries and associates to an impairment test to ensure that they are recorded in the financial statements as of December 31, 2024, at a value no higher than the recoverable amount. The recoverable amount of the investments subject to the impairment test has been determined by discounting the expected cash flows arising from the Plan. As a result of the Impairment Test, approved by the Board of Directors on March 10, 2025, 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;

- 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, following the sensitivity analyses, it is observed that an increase of 2% in the WACC combined with a decrease in the growth rate (g) of 1% would not result in impairments. Furthermore, in order to account for potential deviations in the actual results for the fiscal year 2024 compared to the forecasts included in the plans of the individual CGUs prepared in the previous year, management has conducted additional sensitivity analyses incorporating a corrective factor of a 4% increase in the WACC, reflecting the execution risk of the plans. From these analyses, it has emerged that for certain CGUs there is an impairment risk of a total of Euro 6.7 million, which, if the plans of the affected CGUs do not materialize in whole or in part, could result in the recognition of a permanent impairment loss during the fiscal year 2025 or subsequent periods.

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.

Deloitte.

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; - reviewed Management's sensitivity analysis and the conduct of further independent sensitivity analyses; - 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and 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, 2024, 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 financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2024 have been prepared in XHTML format and have been prepared, in all material respects, in accordance with the provisions of the Delegated Regulation.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions and statement pursuant to art. 14, paragraph 2, sub-paragraphs e), e-bis) and e-ter), of Legislative Decree 39/10 and pursuant to 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, 2024, 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 of 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;

- Express an opinion on the compliance with the law of the report on operations and of 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;

- make a statement about any material misstatement in the report on operations and in 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.

In our opinion, the report on operations and the specific 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, 2024.

In addition, in our opinion, the report on operations excluding the section related to the consolidated corporate sustainability reporting, and the 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 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph (e-ter) , 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.

Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
March 31, 2025

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,

Preliminarily, it is noted that on 26 March 2025, the effective Auditor Laura Braga resigned with communication to the Chairman of the Board of Directors and the Chairman of the Board of Auditors and has been replaced by the alternate auditor Dr. Alice Galimberti. Dr. Alice Galimberti will remain in charge until the expiry of the Board of Auditors with the approval of the financial statements at December 31, 2024.

During the financial period ended 31 December 2024, 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 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.

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 17 February 2025, 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;
- on 26 March 2025, the Board of Statutory Auditors, upon the replacement of Dr. Alice Galimberti in the role of Effective Auditor of Dr. Laura Braga, once again verified the existence of the requirements of independence, honorability and professionalism of the members of the Statutory Auditors;
- 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 2024 financial year:
  - during the month of August 2024, the transfer of production in the stringing equipment segment from the Endine Gaiano factory, whose lease had expired, to the Grassobbio production site was completed;
  - on 19 December 2024, Tesmec successfully completed the placement of a non-convertible, unlisted and unsecured bond called "Tesmec S.p.A. Euribor 6M + 3,65% 2024-2029 - Amort Euro 8.000.000", represented by 80 bearer securities with a nominal value of Euro 100,000 and a total capital of Euro 8 million. The Bond Issue, fully subscribed by Mediocredito Centrale, Finlombarda S.p.A., the financial company of the Lombardy Region, and Banca Finint S.p.A., will expire on 19 December 2029 and have an annual gross nominal variable interest rate equal to the 6M Euribor rate + 3.65%, net of any step-ups related to compliance with certain financial parameters, with a grace period of 12 months.
  - on 15 November 2024, the company Tesmec France SAS was established, a 100% subsidiary of Groupe Marais SAS based in Durtal (France). This company was created following a reorganisation of the French subsidiary Groupe Marais, with the aim of concentrating the production and sale of Trenchers in Tesmec France SAS, while the rental activities of its fleet of machines for mechanised cable-laying services will be concentrated in Groupe Marais SAS; on 20 December 2024, a Binding Termsheet was signed with a third party, OT Engineering (a French company belonging to the Comergy group), based in Meylan (Grenoble) and operating in the trencher rental sector, which provides, in successive steps, for OTE to acquire a stake in the capital of Groupe Marais SA and for the latter to contribute its fleet of trenchers in order to create a centre specialised in this specific field of activity. The agreement provides for a 50% equal shareholding by Tesmec and the third party shareholder, to be finalised in subsequent steps, with governance rules reflecting a situation of joint control. On the same date, 20 December 2024, OTE acquired a stake in Groupe Marais and the shareholders' meeting decided to appoint Philippe Todesco, former chairman of the board of directors of OTE, as chairman of the board of directors with effect from 7 January 2025. Completion of all the steps defined in the Binding Termsheet to complete the transaction is expected in the first half of the 2025 financial year.

The information relating to the accounting treatment of this transaction is described in detail in the "Explanatory Notes".

- 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 8 March 2024, 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, 2024, 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;
- 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 31 March 2025, 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 2024.

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 2024, 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 2024 consolidated financial statements under XHTML format and its signing, in all the relevant aspect, in accordance with the Commission Delegated Regulation;

- On 31 March 2024 the Independent Auditors also issued the report on the limited review of the Sustainability Statement pursuant to art. 8 of Legislative Decree 125/2024, by which it certifies that nothing has come to its attention that causes to believe that:
  - Tesmec Group's Sustainability Statement, referring to the financial period ended 31 December 2023, has not been prepared in all significant aspects in accordance with the requirements adopted by the European Commission pursuant to Directive (EU) 2013/34/EU ("European Sustainability Reporting Standard - ESRS");
  - the the information contained in paragraph "4.2.4 European Taxonomy for sustainable activities – Regulation EU 2020/852" of the Sustainability Statement has not been prepared, in all significant aspects, in accordance with art. of the Regulation (EU) n. 852 of 18 June 220 (hereinafter also referred to as "Taxonomy Regulation");
- 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 18 April 2024. During the same period, the Board of Statutory Auditors met 14 times including 5 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 17 December 2024 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 Tesmec has complied the EU Regulation 679/2016 (c.d. General Data Protection Regulation);
- 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, in addition to risks associated with litigation and environmental issues.

Considering all the above, we find no reasons not to approve - to the extent of our authority - the financial statements as of 31 December 2024, 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.

We thank you for the trust placed in us, we remind you that with the approval of the financial statements on 31 December 2024, the offices of the Board of Statutory Auditors expire and we invite the Shareholders' Meeting to take care of them.

Milan, 31 March 2025

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.

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