

TESMEC



ANNUAL FINANCIAL REPORT



YEAR 2025

Investor Relator
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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 2027)

Chairman	Ambrogio Caccia Dominioni
Vice Chairman	Gianluca Bolelli
Chief Executive Officer	Caterina Caccia Dominioni
Chief Executive Officer	Carlo Caccia Dominioni
	Simone Andrea Crolla (*)
	Emanuela Teresa Basso Petrino (*)
	Anna Casiraghi (*)
	Nicola Gavazzi (*)
	Francesca Marino (*)
	Antongiulio Marti

(*) 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 2027)

Chairman	Simone Cavalli
Statutory auditors	Attilio Massimo Franco Marcozzi
	Alice Galimberti
Alternate auditors	Alessandra Butini
	Adelio Bollini

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 2027)

Chairperson	Emanuela Teresa Basso Petrino
Members	Francesca Marino
	Antongiulio Marti

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 2027)

Chairperson	Nicola Gavazzi
Members	Emanuela Teresa Basso Petrino
	Gianluca Bolelli

Director in charge of the internal control and risk management system

Caterina Caccia Dominioni

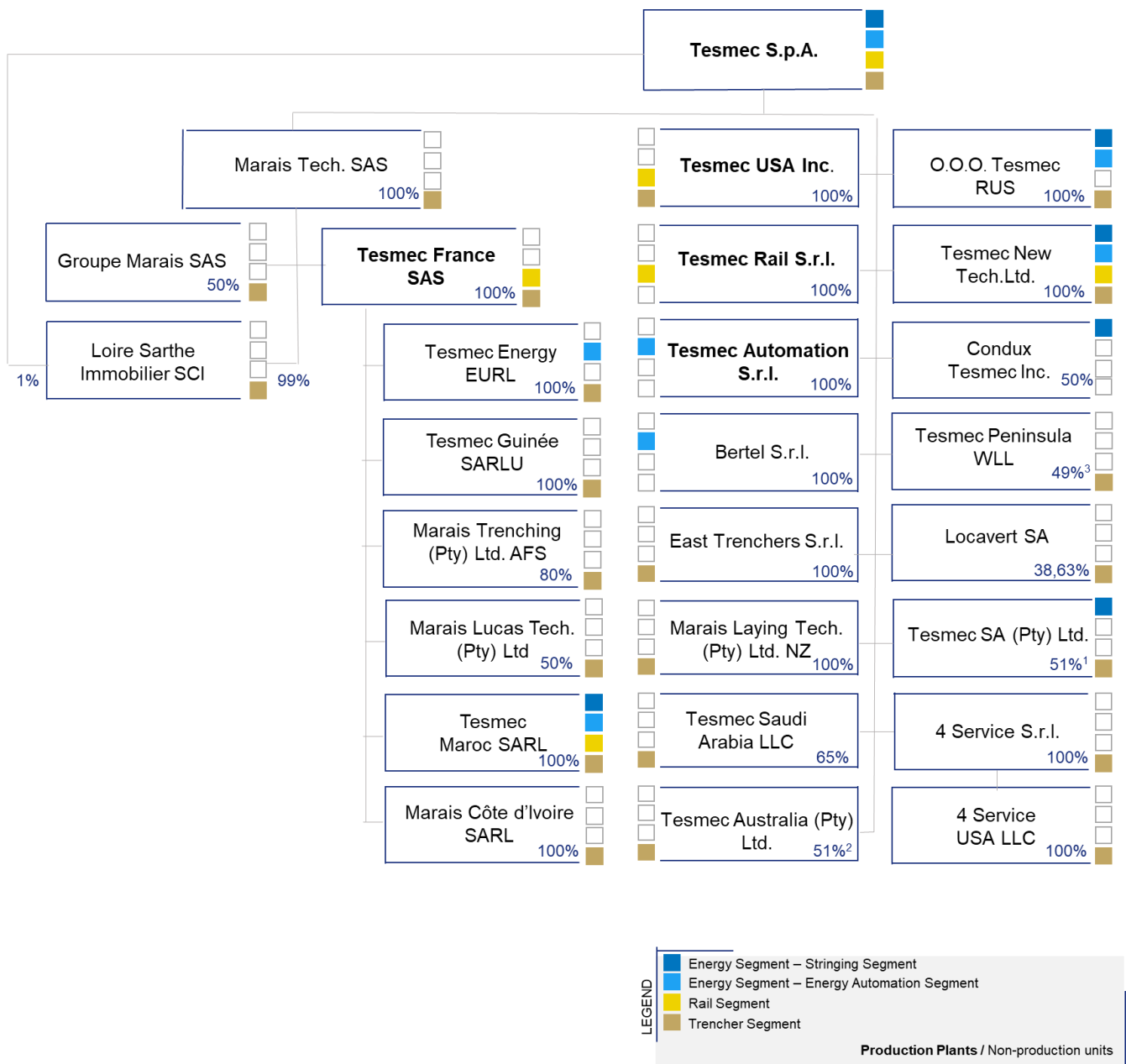
Manager responsible for preparing the Company's financial statements

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 equity investment 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 equity investment 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)	2025	2024	2023
Revenues	257.6	239.5	236.0
EBITDA	40.5	41.1	32.8
EBIT	19.5	20.4	13.0
Net result	1.7	(5.2)	(3.0)

Financial performance (Euro in millions)	2025	2024	2023
Net Invested Capital	204.2	224.6	231.7
Net Financial Indebtedness	130.4	147.0	153.5
Shareholders' Equity	73.7	77.6	78.2

Environment	2025	2024	2023
Total energy consumption - MWh	14,503.0	18,979.1	19,386.5
Energy intensity (MWh consumption / Revenues)	0.0563	0.0751	0.0770
Total direct (Scope 1 GHG) and indirect (Scope 2 GHG market-based) emissions/t CO2e	2,991.0	4,152.9	5,531.5
Sustainability Policy; Health, Safety and Environmental Policy			

Human Resources	2025	2024	2023
Number of employees as at 31 December	919	988	1,026
Gender diversity - female gender share (% of total employees)	15.9%	16.4%	15.6%
Training – average hours of training per employee	11.6	7.2	8.6
Health and safety - Accident frequency rate (No. of accidents/hours worked x 1,000,000)	3.00	12.31	12.94
Female presence on the BoD	40%	40%	40%

Quality & supply chain	2025	2024	2023
Suppliers selected on environmental criteria	5.8%	8.0%	5.5%
Products with ISO 14067 Standard Carbon Footprint of products (*)	67	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,

It is with great pleasure that I present the Annual Financial Report of the Tesmec Group, which offers a comprehensive overview of the management performance and our model of value creation. This Report is a valuable addition to the Sustainability Report, demonstrating the steps we have taken towards adopting a more structured approach to sustainability that is fully integrated into our corporate strategies.

In 2025, we continued to pursue solid, sustainable and innovation-driven growth resolutely. Despite a global context characterised by geopolitical uncertainty and uneven market trends, the Group has demonstrated resilience and the ability to adapt quickly, while maintaining a clear vision: to become a technological benchmark for energy and the digitalisation of strategic infrastructure.

During the year, we strengthened our governance structure with the Board of Directors appointing Caterina Caccia Dominioni and Carlo Caccia Dominioni as Chief Executive Officers. Their experience in corporate governance and developing the Energy division, respectively, ensures continuity in the Group's strategic vision and makes operational management even more robust and effective.

Once again, our strength lies in our ability to combine strategic vision with an ongoing market focus. High-value sectors such as Energy and Rail continued to grow, driving the Group's expansion and confirming the importance of Tesmec technologies in supporting major infrastructure projects worldwide through the energy and digital transition processes. The Energy division recorded growth in both segments: in Energy Stringing, concentrating production activities at our Grassobbio hub enabled us to respond effectively to a significant increase in demand; while Energy Automation continued to develop, contributing to the creation of increasingly resilient, secure and efficient power lines, supported by a rapidly expanding multi-year order backlog. The Rail segment has been undergoing a strategic repositioning towards high-tech solutions, particularly in the areas of advanced diagnostics and international projects. The delivery of new-generation vehicles and participation in strategic programmes abroad confirm the Group's credibility and its ability to extend its expertise beyond the domestic market. Despite operating in a complex geopolitical context and facing specific market challenges, the Trencher division experienced an increase in volumes in the United States and continued to develop its mining activities in West Africa.

A significant strategic decision was made in 2025: the joint venture in France was finalised and Groupe Marais was deconsolidated. This transaction enabled us to focus our resources more effectively on activities with greater industrial synergy, while strengthening the Group's financial structure and aligning the scope more closely with our strategic priorities. Similarly, I would like to highlight the significant milestone of completing the refinancing operations. This strengthens the Group's financial structure further and supports its development ambitions.

The global market for energy, connectivity and sustainable mobility infrastructure is evolving significantly. Backed by a long-term industrial vision, strengthened governance and a solid, high-quality order backlog, Tesmec is ready to seize the opportunities arising from this transformation.

At the same time, we are committed to systematically integrating ESG principles into our business model on a daily basis. These efforts have led to the development of our sustainability approach, which integrates environmental, social and governance topics into our business activities. This approach has enabled us to successfully navigate the complex economic scenario for years.

Our growth strategy is driven by sustainable innovation and digitalisation: we provide cutting-edge solutions that are increasingly environmentally friendly and digital, generating value for all stakeholders. In line with this vision, we are committed to playing an active role in creating strategic infrastructure to support the energy and digital transitions in the years ahead. Our aim is to create modern infrastructure that is safe and has a low environmental impact. This infrastructure should offer high added value and effectively meet the needs of our reference markets.

At the same time, people are at the heart of our corporate culture and represent the Group's greatest asset. That is why we continue to invest in talent development and organisational strengthening as a strategic level of competitiveness. We are also committed to providing a safe, inclusive and stimulating working environment in which our employees can realise their full potential and develop professionally. Ethics, transparency and fairness are the core values that define us, and we put them into practice every day.

Our commitment to social responsibility and our focus on upholding human rights extend beyond our corporate structure to guide the development of all our economic and commercial relationships. We firmly believe in the synergy between business operations, respect for the environment and social responsibility, and we are committed to ensuring that this

approach extends beyond our own organisation. Bearing this in mind, we consider our Suppliers as partners, working together to achieve mutual growth and respond proactively to market trends. Our aim is to work with partners who demonstrate a commitment to and belief in sustainable development, and who promote and share our Supplier Code of Ethics. This is essential to achieving one of our most strategic objectives: building a responsible supply chain based on stable, long-lasting relationships founded on respect, transparency and integrity.

I would like to express my gratitude to all our stakeholders for their continued support, trust and cooperation. Thanks to this long-standing relationship, Tesmec is able to continue growing, innovating and creating sustainable value for all the communities it serves.

*The Chairman:
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 "Tescmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the EURONEXT STAR Milan of the Milan Stock Exchange. The registered office of the Tesmec Group (hereinafter "Group" or "Tescmec Group") is in Milan, Piazza S. Ambrogio 16.

The Tesmec Group is an international industrial group that specialises in developing technologies and solutions for the construction, maintenance and management of strategic infrastructure in the energy, telecommunications, rail and natural resources sectors. Thanks to its tradition of innovation and proven industrial expertise, the Group supports operators and utilities in their transition to more efficient, resilient and sustainable infrastructure.

Listed on the STAR segment of the Italian Stock Exchange since 2010, the Group operates under a robust governance model, with a constant commitment to creating value in the long term.

The Group has over 900 people and a diversified industrial base comprising seven plants across Italy, France and the United States, ensuring production capacity, technological expertise and operational flexibility. The Group's extensive commercial presence across Europe, the United States, the Middle East, Africa and the Asia-Pacific region enables it to remain close to key global markets and meet the needs of its customers.

The Group is led by Chairman Ambrogio Caccia Dominioni and Chief Executive Officers Caterina Caccia Dominioni and Carlo Caccia Dominioni.

Over the course of its seventy-five-year history, Tesmec has established a distinctive position within its sectors of reference, evolving from a manufacturing company into an integrated technology player for strategic infrastructure, through a growth strategy based on the synergistic diversification of its Energy, Rail and Trencher businesses. From the very beginning, Tesmec's journey has been guided by one central theme: using energy to drive technological innovation and sustainable development.

The Group currently operates through three highly specialised Business Units. Each unit focuses on a specific infrastructure sector, and they are all united by a high degree of technological integration and a strong industrial focus:

1.1 Energy Segment: Integrated solutions for more efficient, secure and digital power lines.

- Energy-Stringing: integrated stringing equipment solutions for the construction and maintenance of infrastructure for the transport and distribution of energy
- Energy-Automation: solutions for the automation, streamlining, management and monitoring of power lines and sub-substations (smart grid solutions)

1.2 Trencher & Surface Miners Segment: a complete range of solutions for the main infrastructure projects worldwide

- High-power trenchers for in-line excavation of oil pipelines, gas pipelines, water systems; telecommunication networks and installation of fibre optics, underground power lines
- Surface miners for earthworks and surface mines
- Specialised excavation services and rental solutions

1.3 Rail Segment: Technologies for catenary wire system and rail infrastructure diagnostics to support the safety, reliability and efficiency of rail transport

- Integrated solutions for the installation railway catenary wire system
- Specialised working vehicles for catenary wire system and track maintenance
- Vehicles and systems for rail infrastructure diagnostics.

The Group offers a unique vertically integrated model that combines products, electronics, software and specialised services. From design to commissioning up to maintenance and training activities, it guarantees reliable, high-quality solutions. This integrated approach helps to build long-term relationships with customers, supporting competitive and sustainable growth over time.

2 Reference context

2.1 Introduction

During 2025, the Tesmec Group continued to implement its strategy of:

- (a) international and technological development in the highest value-added segments of its markets of reference, which are experiencing a period of sustained growth, adopting an approach that prioritises "value" over "volume";
- (b) efficiency recoveries at fixed cost level (SG&A and Technical Offices), compared to turnover;
- (c) strategic and business strengthening through partnerships in specific markets and increase in order backlog;
- (d) financial strengthening, in terms of both reducing financial indebtedness and increasing financial flexibility.

This strategic approach allowed in 2025:

- on the one hand, to offset the adverse performance of the Trencher segment in specific markets (with a gradual recovery expected in 2026) **through the structural growth of the Energy and Rail segments**, and
- on the other hand, starting from an EBITDA essentially in line with that of 2024 and despite a negative impact from exchange rate fluctuations and tariffs, to generate a **net profit** compared to the loss in 2024, thanks to the successful conclusion of the strategic alliance in France and the resulting capital gain from the deconsolidation of Groupe Marais.

At the same time, as at 31 December 2025, Tesmec had significantly **reduced its net financial indebtedness**, whilst extending its *maturity*, and **increased its order backlog**.

(In millions of Euro)	2025 Balance	2024 Balance	Differences
Revenues	257.6	239.5	+7.5%
EBITDA	40.5	41.1	-1.5%
EBITDA margin	15.7%	17.2%	
Pre-tax profit/(loss) before changes in exchange rates	3.2	3.5	Euro -0.3 million
Exchange rate fluctuations	(3.4)	0.3	
Tax	(2.2)	(3.6)	
Groupe Marais IFRS5 effect	4.5	(5.1)	
Net result	2.1	(4.8)	Euro 6.9 million
Net Financial Position	130.4	147.0	-11.3%

Therefore, the final consolidated financial statements as at 31 December 2025 show:

- **Revenues up by 7.5%** compared to 2024, with a diversified trend depending on the reference segment. In fact, the growth in Revenues was driven by the **structural strengthening of the Energy** segment (with turnover in the Stinging equipment and Energy Automation segments increasing by 29% and 17%, respectively) and by the progress of the Rail segment (up 6%), which, however, has not yet benefited from the acquisition of new orders, which will play an important role as from 2026. On the other hand, the **Trencher segment suffered a decline** in sales of approximately 4%, mainly due to low production volumes in the first half of the year, offset by destocking, which, in the face of lower margins, nevertheless made it possible to reduce invested capital; the recovery in repurchases and, consequently, in production volumes began in the second quarter, picking up pace in the second half of the year and, more significantly, at the start of 2026, with growth expected to recover in the current financial year.
- **EBITDA was slightly below 2024** (40.5 million compared to 41.1 million), with a reduction in margins compared to Revenues (15.7% compared to 17.2%). This trend was due, on the one hand, to **higher margins and profitability in the Energy segment** and solid progress in the Rail segment, and, on the other hand, to lower margins in the Trencher segment, attributable both to a less favourable product mix (due to destocking) and to an adverse trend in the markets of Australia, Saudi Arabia and South Africa. As mentioned earlier, these effects are temporary and are **expected to gradually improve throughout 2026**. At the same time, fixed costs (SG&A and expenses related to the Technical Offices) remained stable in 2025 compared to 2024, thereby contributing to an improvement in efficiency.
- **Pre-tax profit before changes in exchange rates of 3.2 million**, close to 3.5 million in 2024.
- **The Net result was a positive Euro 2.1 million, compared to a loss of Euro -4.8 million in 2024**. The net result was negatively affected by exchange rate losses of Euro 3.4 million (compared to gains of Euro 0.3 million in 2024) and, positively affected by the completion of the deconsolidation of Groupe Marais, which in 2025 resulted in a capital gain of Euro 4.5 million (compared to a loss of Euro -5.1 million in the previous financial year).

- A **Net Financial Position improving by approximately Euro 16.5 million** compared to 2024 and equal to Euro 130.4 million as at 31 December 2025, compared to Euro 147.0 million as at 31 December 2024.
- An **order backlog that reached approximately Euro 416 million**, compared to approximately Euro 351 million in 2024, with a 40% increase in the Energy segment and a 9% increase in the Trencher segment, whilst the Rail segment has yet to fully incorporate a number of new orders secured or in the process of being secured in 2026. This level of order backlog provides greater visibility to Revenues for 2026, both for segments with longer-term order backlogs (Automation and Rail) and for those with historically shorter-term order backlogs (Trencher and Stringing equipment).

Overall, the trends described above **outline a positive scenario for 2026**, with the Energy segment continuing on its structural growth, the Trencher segment recovering, and the Rail segment expanding, thanks to orders already secured and those yet to be secured.

2.2 2025 Results

Consolidated revenues in 2025 amounted to Euro 257.6 million, up by 7.5% compared to Euro 239.5 million in 2024, with an EBITDA that stood at Euro 40.6 million, essentially in line at Euro 41.1 in 2024 (-1.2%).

More specifically:

- with regard to the **Energy segment**, Revenues amounted to Euro 96.6 million as at 31 December 2025, up by 25.0% compared to Euro 77.3 million achieved as at 31 December 2024. The positive performance was mainly driven by significant growth in the Stringing equipment segment, supported by robust and expanding demand in a market with favourable prospects – where Tesmec’s solutions are well positioned – and by a strong sales pipeline. The Automation segment also made a positive contribution, with an increase in turnover deriving from the progressive implementation of the order backlog. In particular, the Stringing equipment segment recorded revenues of Euro 65.7 million, up by 29.3% compared to Euro 50.8 million as at 31 December 2024, while the Energy-Automation segment recorded revenues of Euro 30.9 million, up by 16.7% compared to Euro 26.5 million as at 31 December 2024. EBITDA for the Energy segment reached Euro 19.4 million (with an EBITDA margin of 20.0%), up by 70.4% compared to Euro 11.4 million in the first nine months of 2024 (when the EBITDA margin was 14.7%). The improvement in margins was mainly driven by the Stringing equipment segment, which recorded 107.2% increase in EBITDA compared to 2024, with an EBITDA margin rising from 12.7% in 2024 to 20.3% in 2025. This result was made possible by (i) an improved product mix, (ii) efficiency measures implemented throughout the supply chain, which contributed to an improvement in operating margins, and (iii) the operating leverage generated by higher volumes, against stable fixed costs. The Automation segment also benefited from a positive impact in terms of operating leverage, whilst it looks forward to reaping in the coming quarters the benefits deriving from the new long-term contracts recently acquired; in particular, the EBITDA of the Energy-Automation segment reached Euro 6.0 million, up 22.5% compared to Euro 4.9 million in 2024, with an EBITDA margin up from 18.6% to 19.5%.

At the same time, the commercial activities of the Energy segment confirm a growing trend, with an order backlog of Euro 227.5 million as at 31 December 2025, compared to Euro 162.6 million as at 31 December 2024, of which Euro 185.7 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 41.8 million relating to the Stringing equipment segment (traditionally with a short-term duration);

- with reference to the **Trencher segment**, Revenues amounted to Euro 107.6 million as at 31 December 2025, down by 3.8% compared to Euro 111.9 million as at 31 December 2024. This change reflects the trends already observed during the financial year, which varied across different markets: on the one hand, there were strong results in Europe, North Africa, West Africa and the Americas, driven in particular by the recovery of the US market and the positive contribution from the LATAM region; on the other hand, there was a downturn in the Australian market (where Revenues were limited in the fourth quarter and a project with insufficient profitability was closed) and signs of a slowdown in Saudi Arabia and South Africa, the latter attributable to delays in the launch of investment projects, with a gradual recovery expected across all three markets in 2026. The combined effect of the decline in volumes and the change in the sales mix, together with pricing trends and exchange rate fluctuations, had a negative impact on margins, determining an EBITDA of Euro 11.0 million (and an EBITDA margin of 10.2%), compared to Euro 20.2 million as at 31 December 2024 (when the EBITDA margin was 18.1%). At the same time, the introduction of measures to streamline planning and procurement/production processes optimised working capital. As at 31 December 2025, the order backlog for the Trencher segment, excluded the order backlog of Groupe Marais activities that were discontinued following the joint venture agreement, which will nevertheless continue to contribute to the development of the Trencher business, stood at Euro 72.1 million, up from Euro 66.2 million as at 31 December 2024;

- compared to the **Rail segment**, Revenues as at 31 December 2025 amounted to Euro 53.4 million, up 6.0% compared to Euro 50.4 million recorded as at 31 December 2024, thanks to the progress of orders already acquired and the impact of the new strategic approach, focused on high-value diagnostic projects and international diversification. Confirming the role of diagnostic vehicles as a key element in the digitalisation of the rail network, Tesmec's bimodal "TIPO 4" vehicle is an integral part of the fleet renewal plan and a symbol of RFI's technological innovation. EBITDA for the segment was Euro 10.2 million as at 31 December 2025, with an EBITDA margin of 19.1% (compared to the corresponding Euro 9.5 million and 18.9% as at 31 December 2024). The multi-year order backlog as at 31 December 2025 amounted to approximately Euro 117 million, compared to approximately Euro 122 million as at 31 December 2024 and does not reflect any additional tenders awarded at the beginning of 2026. Furthermore, Tesmec believes it is likely that the trend towards winning new tenders will gather further momentum during the year.

The 2025 results show a gradual rebalancing of the contribution of the various Divisions to the consolidated results, with the Energy and Rail sectors making a greater contribution than in 2024, and the Energy segment in particular increasing its share of consolidated EBITDA from 28% in 2024 to 48% in 2025.

	% Revenues out of the total		% EBITDA out of the total	
	2025	2024	2025	2024
Trencher	42%	47%	27%	49%
Energy	37%	32%	48%	28%
Rail	21%	21%	25%	23%
Total	100.0%	100.0%	100.0%	100.0%

With reference to the Operating Income (EBIT) as at 31 December 2025, it amounted to Euro 19.5 million, down 4.5% compared to Euro 20.4 million in 2024, also as a result of higher amortisation/depreciation for the period.

From a financial perspective, in 2025, the Tesmec Group recorded a level of net interest expense slightly down compared to that of 2024 (Euro -16.3 million versus Euro -16.9 million), generating a positive **result before exchange rate variations and taxes of approximately 3.2 million euros**, not far from the 3.5 million of 2024.

However, at the same time suffered a negative impact from exchange rate differences – largely unrealised – amounting to Euro -3.4 million, compared to the income of Euro 0.3 million as at 31 December 2024. This was due to the recent strengthening of the Euro, mainly against the US Dollar. The Tesmec Group closed the 2025 financial year with a pre-tax profit close to break-even (Euro -0.2 million), compared with a **pre-tax profit** of Euro 3.8 million in 2024, a change that, in essence, corresponds to the effects of changes in exchange rates.

Finally, the 2025 Income Statement closed with a **profit** of Euro 2.1 million (including a positive contribution of Euro 4.5 million from the capital gain on the disposal of Groupe Marais), compared with a loss of Euro -4.8 million in 2024 (with a negative contribution of Euro -5.1 million from discontinued operations).

Based on the comments provided on the performance of the individual divisions, it should be noted that the Tesmec Group's total backlog as at 31 December 2025 stood at approximately Euro 416 million, increased significantly compared to approximately Euro 351 million as at 31 December 2024, with a significant increase in the Energy Business Unit (which acquired important contracts both in Italy and abroad, confirming the growth cycle initiated in this segment) segments, growth in the Trencher segment and a slight reduction in the Rail segment, although a recovery is expected in the short term thanks to new tenders, some of which have already been awarded in the first quarter of 2026.

Furthermore, at geographical level, Tesmec is confirmed as a group strongly oriented towards international markets, with approximately 75% of Consolidated Revenues for the period generated outside Italy, with a growing contribution of sales in North America and Africa.

With reference to the financial results as at 31 December 2025, the following changes were noted compared to 31 December 2024:

- a reduction in Net invested capital, which was affected by the fact that Groupe Marais was no longer included in consolidation area, falling from Euro 224.6 million in 2024 to Euro 204.2 million as at 31 December 2025. More specifically:

- against an increase of approximately Euro 10 million in Net fixed capital, which increased from 106.9 million to 116.8 million, due to the recognition of the equity investment in Groupe Marais and the investments in the period, including a replenishment of the fleet in the fourth quarter;
- Working capital decreased by Euro 28.0 million compared with 31 December 2024. This decrease was due for Euro 11.0 million to lower inventories (both in terms of warehouses, of Euro 8.5 million, and in terms of SAL, of Euro 2.5 million), partially offset by an increase in trade receivables of Euro 5.7 million and an increase in trade payables of Euro 23.9 million concentrated in the Trencher (which was affected by purchasing programmes that were more concentrated in the second half of the year compared to 2024, resulting in a shift in related due dates, including purchases of materials, capex and fleet replenishment at the end of 2025) and Stringing equipment segments (which historically operates with negative working capital and therefore contributed to the optimisation of the year-end working capital mix);
- a further improvement in the Net Financial Position (net debt), from Euro 147.0 million as at 31 December 2024 to Euro 130.4 million as at 31 December 2025, thus confirming the strong discontinuity from past trends already observed during the year. In this regard, it should be noted that the reduction in the cumulative Net Financial Position compared with the peak reached on 30 June 2024 (when it stood at Euro 183.6 million) amounted to approximately Euro 53.2 million as at 31 December 2025.

With reference to Tesmec's financial structure as at 31 December 2025, it should be noted that:

1. the Net Financial Position consists of:
 - Euro 71.8 million (approximately 55% of total NFP) of Operating Debt ¹ against consolidated Working Capital;
 - Euro 27.6 million (approximately 21% of total NFP), against the recognition of a loan relating to IFRS 16, mainly against lease contracts for part of the Group's trenching machines and the value of rents;
 - the residual Euro 31.0 million (approximately 24% of total NFP) of Industrial Debt ² for the portion of the fixed assets not directly covered by Equity;
2. the duration of the Net Financial Position, which includes medium/long-term payables of Euro 83.4 million is positively affected by the Club-Deal operation finalised at the end of September 2025 and maturing in 2031, and IFRS 16 items of Euro 27.6 million, appears more than consistent with the duration of the portion of medium/long-term Assets not covered by Shareholders' Equity, amounting to a total of Euro 57.8 million;
3. as at 31 December 2025, the Group had liquidity of Euro 40.9 million, which, together with expected cash flows for the year and the negotiation and obtaining of credit lines, net of those due to expire, and guarantees for advance payments, is estimated to guarantee financial continuity for the next 12 months and the implementation of ongoing development programmes.

2.3 Outlook for 2026

With reference to 2026, despite the uncertainty caused by the current international geopolitical and macroeconomic context, growth is expected 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 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 plants in both Italy and the USA, the Company also believes that it will be able to respond with the necessary flexibility to the challenges posed by the current evolving situation in the USA, which is similarly characterised by considerable uncertainty.

Following recent tensions in the Persian Gulf, the highly volatile situation makes it difficult to predict potential impacts on logistics, energy costs, and local investments. It should be noted that the Group has already implemented port diversification to limit delays and is working with customers to share additional logistics costs. On the energy front, Tesmec is not an energy-intensive company and benefits from the 1.8 MW photovoltaic plant in Grassobbio, which reduces its exposure to market prices.

Regarding personnel (just under 60 people in Saudi Arabia and Qatar), no critical issues have been reported: in Qatar, remote working was implemented for a week, with a subsequent return to in-person activities.

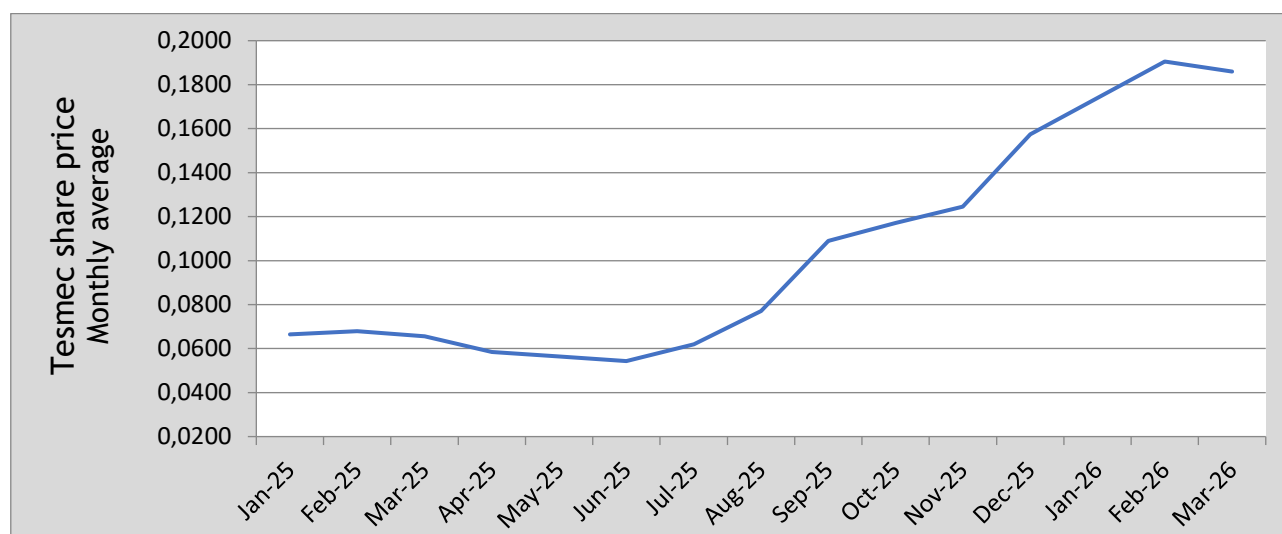
¹ Operating debts are short-term liabilities arising from normal business operations; they do not constitute a direct loan but rather a deferral of payment that serves as an operating source of finance.

² Industrial debt measures the ability of a company to measure its industrial operations (production, investments, working capital) using borrowed capital.

Finally, it should be noted that in 2025, approximately 14% of the Tesmec Group's consolidated revenues and approximately 5% of the backlog will be attributable to the Middle East, primarily Saudi Arabia and Qatar. The Group will continue to closely monitor the situation to protect its staff and ensure operational continuity in the Area. Furthermore, management remains committed to prioritizing profitability and cash generation over volumes, while continuing to pursue strategic initiatives aimed at strengthening its industrial operations and increasing the efficiency of invested capital. Therefore, for the 2026 financial year, the Tesmec Group expects growth in key income statement indicators and a further reduction in net financial debt compared to 2025.

2.4 Tesmec on the Stock Exchange Market

As at 31 December 2025, the reference price of the Tesmec share was equal to Euro 0.16 per share while market capitalisation as at 31 December 2025 amounted to Euro 97.03 million. At the date of this report, the reference price is Euro 0.1734 per share, and the capitalisation is approximately Euro 105.16 million. The following chart shows the listing price trend of the shares of the Parent Company from 1 January 2025 to March 2026:



Reference price as at 31 December 2025	0.160
Reference price as at 11 March 2026	0.1734
Maximum Price (12 February 2026) ⁽¹⁾	0.209
Minimum Price (23 June 2025) ⁽¹⁾	0.051

(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.

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

The significant events that occurred during the period are reported below:

- in accordance with the binding contractual agreements entered into in 2024 through the signing of a Binding Termsheet with OT Engineering, a French company belonging to the Comergy Group and headquartered in Meylan (Grenoble), on 7 January 2025, as part of the reorganisation of the French subsidiary Groupe Marais SAS, the latter transferred its business unit related to the production and sale of trenchers to its subsidiary Tesmec France SAS. This business unit also includes all the equity interests held by Groupe Marais SAS in its African subsidiaries as at 31 December 2024. On the same date, Philippe Todesco (previously Chairman of the Board of Directors of OT Engineering) became Chairman of the Board of Directors of Groupe Marais SAS.

Subsequently, on 7 March 2025, Groupe Marais SAS sold its entire equity investment in Tesmec France SAS to Marais Technologies SAS for a price of Euro 3,747 thousand.

On 14 May 2025, the Shareholders' Meeting of Groupe Marais SAS approved an initial capital increase reserved for OT Engineering, French company part of the Comergy group, for a total amount of Euro 5,300 thousand, which was paid up through the contribution of the "Greenpose" business unit, operating in the trencher rental sector, for Euro 4,600 thousand, and the remaining Euro 700 thousand in cash. On 6 November 2025, the Shareholders' Meeting of Groupe Marais SAS finalised the share capital increase reserved for OT Engineering, subscribing to a further Euro 2,608 thousand in performance of the agreements entered into between the parties. Pursuant to that shareholders' meeting resolution and the payments made, OT Engineering, which as at 30 September 2025 already held 29.6% of Groupe Marais's share capital, now holds 50.0%. OT Engineering retains, in accordance with the original agreements, an option to increase its stake from 50% to a majority shareholding. As a result of this transaction, the deconsolidation of Groupe Marais has become final, and its effects will be fully reflected in the financial statements as at 31 December 2025;

- 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 (Electricité 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. This award will be managed in coordination with Tesmec France SAS, thereby initiating the aforementioned integration activities;
- on 5 March 2025, in order to strengthen its subsidiary Tesmec Automation S.r.l. in light of significant industrial developments linked to the awarded tenders, the Parent Company Tesmec S.p.A. allocated an existing interest-bearing loan of Euro 3 million as capital contribution, thereby increasing shareholders' equity by the same amount;
- on 29 April 2025, the Shareholders' Meeting of Tesmec Rail S.r.l. approved the distribution of dividends in the amount of Euro 1 million;
- on 30 April 2025, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and:
 - 1) approved the Financial Statements as at 31 December 2024 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2024 of the Tesmec Group and the related reports were presented, including the Consolidated Sustainability Report;
 - 2) appointed the new Board of Directors that will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended 31 December 2027, composed of Gianluca Bolelli, Caterina Caccia Dominioni, Carlo Caccia Dominioni, Simone Andrea Crolla Emanuela Teresa Basso Petrino, Anna Casiraghi, Nicola Gavazzi, Francesca Marino and Antongiulio Marti, as well as Ambrogio Caccia Dominioni, who was confirmed as Chairperson of the Board of Directors;
 - 3) appointed the new Board of Statutory Auditors that will also remain in office until the Shareholders' Meeting that will be called to approve the 2027 financial statements, composed of the Statutory Auditors Simone Cavalli (Chairperson), Alice Galimberti and Attilio Massimo Franco Marcozzi and by the Alternate Auditors Alessandra Butini and Adelio Bollini;
- on 30 April 2025, the Board of Directors resolved to appoint:
 - as members of the Control and Risk, Sustainability and Related Party Transactions Committee, the directors Emanuela Teresa Basso Petrino (Chairperson), Francesca Marino and Antongiulio Marti;
 - as members of the new Remuneration and Appointments Committee, the directors Nicola Gavazzi (Chairperson), Emanuela Teresa Basso Petrino and Gianluca Bolelli;
- on 9 May 2025, the Board of Directors resolved to appoint: Caterina Caccia Dominioni and Carlo Caccia Dominioni as Chief Executive Officers with full and separate powers;

- on 14 July 2025, following a qualified tender procedure, the subsidiary Tesmec Automation S.r.l. announced the signing of a framework agreement worth a total of Euro 54 million (Euro 36 million, plus the option of an additional Euro 18 million) with Terna Rete Italia S.p.A., a Terna Group company that operates, maintains and develops the national electricity transmission grid, for the supply and installation of RTN "SAS 2021" Electrical Station Automation Systems;
- on 27 September 2025, the parent company Tesmec S.p.A. finalised the signing of a syndicated loan transaction totalling Euro 55 million, structured as four separate loan agreements with various leading credit institutions. In the context of the transaction, Banca Finint acted as agent bank and SACE agent.

The loan transaction consists of four lines broken down as follows:

- Line A1 and Line A2, amortising, of Euro 39,150 thousand and Euro 5,850 thousand, respectively, both aimed at the partial early repayment of the existing medium/long-term debt and to support the Group's needs related to the business plan;
- Line B and Line C, amortising, of Euro 5 million each, intended to support the Group's business plan and investments.

The final maturity date is set for 31 December 2031, with principal repayments made on a quarterly basis, commencing on 31 December 2026 for Line A1, Line A2 and Line B, and on 30 September 2028 for Line C. Line A1 and Line A2 are backed by a partial SACE Growth guarantee covering 70% of the amount. The loan agreements contain standard financial commitments and covenants in line with market practices;

- in October 2025, the subsidiary Tesmec Rail S.r.l. successfully completed the commissioning of state-of-the-art technological solutions for the Green Line high-speed railway in Egypt, deploying a fleet of specialised vehicles for the installation and maintenance of aerial lines. Designed to increase safety, improve operational efficiency and reduce intervention times, Tesmec's technologies represent a further step forward in the company's commitment to supporting the country's sustainable, long-term infrastructure development.

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

- on 7 January 2025, Groupe Marais SAS transferred to its subsidiary Tesmec France SAS the business unit relating to the production and sale of trenchers. This business unit also includes the entire equity interests held by Groupe Marais SAS in all its African subsidiaries as at 31 December 2024; subsequently, on 7 March 2025, Groupe Marais SAS sold its entire equity interest in Tesmec France SAS to Marais Technologies SAS for Euro 3,747 thousand.

However, these transactions did not change the consolidation area, but only resulted in a shift within the Group's organisational chart.

- On 10 January 2025, the company MIR SA was sold as it was no longer considered strategic and consequently excluded from the consolidation area;
- on 6 December 2025, the company Loire Sarthe Immobilier was established, 1% owned by Tesmec S.p.A. and 99% by Marais Technologies SAS, with registered office in Durtal (France). The company will be involved in the acquisition, administration and management – through lease, rental or other means – of its own properties, starting with the site in Durtal currently used by Groupe Marais and Tesmec France.

2.6 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, which will also develop the Rail and Automation business in France.

The French subsidiary Groupe Marais SAS, which focuses on the core rental business, also signed an agreement with OT Engineering (a French company of the Comergy group) under which OT Engineering will acquire a 50% stake in the share capital in several stages.

On 6 November 2025, the Shareholders' Meeting of Groupe Marais SAS finalised the share capital increase reserved for OT Engineering, a French company belonging to the Comergy group, in accordance with the agreements entered into between the parties. Pursuant to that shareholders' meeting resolution and the payments made, OT Engineering, which as at 30 September 2025 already held 29.6% of Groupe Marais's share capital, now holds 50.0% again on the basis of the original agreements. OT Engineering retains, in accordance with the original agreements, an option to increase its stake from 50% to a majority shareholding. As a result of this transaction, the deconsolidation of Groupe Marais has become final, and its effects will be fully reflected in the financial statements as at 31 December 2025.

As required by International Financial Reporting Standards (IFRS 5), and as was already done when preparing the financial statements as at 31 December 2024, the Group as at 31 December reclassified the economic and financial elements in the Income statement, Statement of Financial Position and Cash Flow Statement.

As regards the Income Statement, given that the rental business of Groupe Marais SAS constitutes a major line of business, the revenue and costs relating to these activities, up to the date of deconsolidation, were reclassified under the line "Net profit/(loss) for the year of assets held for sale or sold".

With regard to the Statement of financial position, with reference solely to the financial statements as at 31 December 2024, the relevant assets and liabilities were reclassified as "assets held for sale" and "liabilities held for sale".

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 2025. The following table shows a summary of the profit and loss indicators achieved in 2025 and in 2024 and the main financial position indicators as at 31 December 2025 and as at 31 December 2024.

OVERVIEW OF RESULTS		
31 December 2024	Key income statement data (Euro in millions)	31 December 2025
239.5	Operating Revenues	257.6
41.1	EBITDA	40.5
20.4	Operating Income	19.5
(5.2)	Group Net Result	1.7
990	Number of employees	919
31 December 2024	Key financial position data (Euro in millions)	31 December 2025
224.6	Net Invested Capital	204.2
77.6	Shareholders' Equity	73.7
147.0	Group net financial indebtedness	130.4
21.0	Net investments in property, plant and equipment, intangible assets and rights of use	28.1

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 2025 financial year, it generated revenues of Euro 40,020 thousand (Euro 29,211 thousand in 2024).
- 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 2025 financial year, it recorded revenues of Euro 52,648 thousand (Euro 50,557 thousand in 2024).
- 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 2025 financial year, the company generated revenues of Euro 4,613 thousand (Euro 9,720 thousand in 2024).
- Tesmec Australia (Pty) Ltd, with registered office in Sydney (Australia) is 51% owned by Tesmec S.p.A. and 49% owned by Simest S.p.A. (with an option of Tesmec S.p.A. to repurchase this share). During the 2025 financial year, it generated revenues of Euro 8,035 thousand (Euro 8,468 thousand in 2024).
- 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 2025 financial year, it recorded revenues of Euro 31,029 thousand (Euro 26,532 thousand in 2024).
- 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 2025 financial year generated revenues totalling Euro 12,924 thousand (Euro 9,945 thousand in 2024).

- 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. In 2025, it generated revenues totalling Euro 8,971 thousand (Euro 15,813 thousand in 2024).

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 2025 financial year generated revenues totalling Euro 15,964 thousand (Euro 13,784 thousand in 2024).
- Groupe Marais SAS, with registered office in Durtal (France), indirectly jointly 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 2025 financial year, it recorded revenues of Euro 13,068 thousand (Euro 20,382 thousand in 2024).

3.3 Consolidated income statement

The Group ended the financial year as at 31 December 2025 with a positive operating income of Euro 19,519 thousand (Euro 20,436 thousand in 2024), with a net profit for the year of continuing operations of Euro -2,406 thousand and with a net profit of Euro 1,691 thousand compared to a net loss of Euro 5,181 thousand as at 31 December 2024. The following table shows the trend of major economic indicators as at 31 December 2025 compared to 31 December 2024.

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Revenues from sales and services	257,606	100.0%	239,546	100.0%	18,060
Cost of raw materials and consumables	(115,988)	-45.0%	(108,978)	-45.5%	(7,010)
Costs for services	(52,370)	-20.3%	(42,687)	-17.8%	(9,683)
Payroll costs	(54,500)	-21.2%	(53,003)	-22.1%	(1,497)
Other net operating costs/revenues	(6,991)	-2.7%	(4,702)	-2.0%	(2,289)
Amortisation/Depreciation	(20,976)	-8.1%	(20,666)	-8.6%	(310)
Development costs capitalised	12,273	4.8%	10,559	4.4%	1,714
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	465	0.2%	367	0.2%	98
Total operating costs	(238,087)	-92.4%	(219,110)	-91.5%	(18,977)
Operating income	19,519	7.6%	20,436	8.5%	(917)
Financial expenses	(16,685)	-6.5%	(17,886)	-7.5%	1,201
Financial income	357	0.1%	973	0.4%	(616)
Net foreign exchange gains/losses	(3,362)	-1.3%	308	0.1%	(3,670)
Portion of losses/(gains) from the valuation of equity investments using the equity method	(44)	0.0%	4	0.0%	(48)
Pre-tax profit/(loss)	(215)	-0.1%	3,835	1.6%	(4,050)
Income tax	(2,191)	-0.9%	(3,599)	-1.5%	1,408
Net profit/(loss) for the year of continuing operations	(2,406)	-0.9%	236	0.1%	(2,642)
Net profit/(loss) for the year of assets held for sale or sold	4,533	1.8%	(5,053)	-2.1%	9,586
Net profit/(loss) for the year	2,127	0.8%	(4,817)	-2.0%	6,944
Profit/(loss) attributable to non-controlling interests	436	0.2%	364	0.2%	72
Group profit/(loss)	1,691	0.7%	(5,181)	-2.2%	6,872

Revenues

Total revenues as at 31 December 2025 increased by 7.5% compared to those recorded in the previous financial year.

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Sales of products	215,338	83.6%	202,103	84.4%	13,235
Services rendered	39,632	15.4%	33,534	14.0%	6,098
Changes in work in progress	2,636	1.0%	3,909	1.6%	(1,273)
Total revenues from sales and services	257,606	100.0%	239,546	100.0%	18,060

Revenues by geographic area

The Group's turnover is mainly produced abroad (by 75,1%) and in particular in non-EU countries. The revenue analysis by area is indicated below, compared with the 2025 financial year and the 2024 financial year. Growth in the North and Central American and African markets was driven by sales in the Trencher segment. It is emphasised that the segmentation by geographic area is determined by the country where the customer is located, regardless of where project activities/sales are organised.

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Italy	64,066	24.9%	55,413	23.1%	8,653
Europe	44,167	17.1%	54,799	22.9%	(10,632)
Middle East	35,112	13.6%	38,463	16.1%	(3,351)
Africa	34,450	13.4%	26,883	11.2%	7,567
North and Central America	40,258	15.6%	28,786	12.0%	11,472
BRIC and Others	39,553	15.4%	35,202	14.7%	4,351
Total revenues	257,606	100.0%	239,546	100.0%	18,060

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 31 December 2025 increased by 9.4% compared to those recorded in the previous financial year.

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Cost of raw materials and consumables	(115,988)	-45.0%	(108,978)	-45.5%	(7,010)
Costs for services	(52,370)	-20.3%	(42,687)	-17.8%	(9,683)
Payroll costs	(54,500)	-21.2%	(53,003)	-22.1%	(1,497)
Other net operating costs/revenues	(6,991)	-2.7%	(4,702)	-2.0%	(2,289)
Development costs capitalised	12,273	4.8%	10,559	4.4%	1,714
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	465	0.2%	367	0.2%	98
Total operating costs net of depreciation and amortisation	(217,111)	-84.3%	(198,444)	-82.8%	(18,667)

The table shows an increase in operating costs of Euro 18,667 thousand (9.4%). This increase in costs reflects:

- with regard raw material prices, a change broadly in line with the increase in revenues, with a non-directly proportional effect due to a different product mix;
- with regard to costs for services, the impact of higher transport and customs charges incurred mainly in the USA market against a backdrop of tariffs and customs duties, and greater reliance on outsourcing;
- with regard to results from Joint Ventures, the positive performance of the associate Condux Tesmec Inc.;

- with regard to the increase in fixed assets for development costs, there were higher investments compared with the previous financial year, particularly in the rail segment, which saw the completion of development projects for the new-generation TIPO 4 railway vehicle.

EBITDA

As a result of the foregoing, EBITDA amounted to Euro 40,495 thousand, down by 1.5% 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				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Operating income	19,519	7.6%	20,436	8.5%	(917)
+ Amortisation/depreciation	20,976	8.1%	20,666	8.6%	310
EBITDA	40,495	15.7%	41,102	17.2%	(607)

EBITDA amounted to Euro 40,495 thousand, which is broadly in line with the figure for the previous financial year of Euro 41,102 thousand.

Financial Management

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Net financial income/expenses	(16,442)	-6.4%	(16,427)	-6.9%	(15)
Net foreign exchange gains/losses	(3,362)	-1.3%	308	0.1%	(3,670)
Fair value adjustment of derivative instruments	114	0.0%	(486)	-0.2%	600
Portion of losses/(gains) from the valuation of equity investments using the equity method	(44)	0.0%	4	0.0%	(48)
Total net financial income/expenses	(19,734)	-7.7%	(16,601)	-6.9%	(3,133)

The net financial management result decreased compared to the same period in the previous financial year by a total of Euro 3.133 thousand, due to:

- a negative impact from Foreign exchange gains/losses of Euro 3,670 thousand, resulting from the favourable trend of exchange rates as at 31 December 2025 compared to 31 December 2024, which resulted in net losses totalling Euro 3,362 thousand (largely unrealised) compared to net profit of Euro 308 thousand (also largely unrealised);
- a positive impact of the *Fair value adjustment of financial instruments* of Euro 600 thousand.

Net result of continuing operations

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Net profit/(loss) for the year of continuing operations	(2,406)	-0.9%	236	0.1%	(2,642)
Net profit/(loss) for the year of assets held for sale or sold	4,533	1.8%	(5,053)	-2.1%	9,586
Net profit/(loss) for the year	2,127	0.8%	(4,817)	-2.0%	6,944

The net result for the year of continuing operations amounted to Euro -2,406 thousand (Euro 326 thousand) after reclassification to "Net profit/(net loss) for the year of assets held for sale or sold" relating to Groupe Marais. As described in the table below, in the last two financial years the income statement of discontinued operations contributed negatively to the Group's result in 2024 with Euro -5,053 thousand and positively in 2025 with Euro 4,533 thousand.

Result of assets held for sale or sold

	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
<i>(Euro in thousands)</i>					
Revenues from sales and services	10,584	100.0%	13,210	100.0%	(2,626)
Cost of raw materials and consumables	40	0.4%	(2,171)	-16.4%	2,211
Costs for services	(3,166)	-29.9%	(3,751)	-28.4%	585
Payroll costs	(4,394)	-41.5%	(5,558)	-42.1%	1,164
Other net operating costs/revenues	(1,529)	-14.4%	(1,806)	-13.7%	277
Amortisation/Depreciation	-	0.0%	(3,348)	-25.3%	3,348
Total operating costs	(9,049)	-85.5%	(16,634)	-125.9%	7,585
Operating income	1,535	14.5%	(3,424)	-25.9%	4,959
Financial expenses	(1,038)	-9.8%	(1,651)	-12.5%	613
Financial income	24	0.2%	65	0.5%	(41)
Pre-tax profit/(loss)	521	4.9%	(5,010)	-37.9%	5,531
Income tax	(112)	-1.1%	(43)	-0.3%	(69)
Capital gain on disposal	4,124	39.0%	-	0.0%	4,124
Net profit/(loss) for the year of assets held for sale or sold	4,533	42.8%	(5,053)	-38.3%	9,586

Net result

	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
<i>(Euro in thousands)</i>					
Net profit/(loss)	2,127	0.8%	(4,817)	-2.0%	6,944
Profit/(loss) attributable to non-controlling interests	436	0.2%	364	0.2%	72
Group net profit/(net loss)	1,691	0.7%	(5,181)	-2.2%	6,872

Results for the period amounted to Euro 2,127 thousand (Euro -4,817 thousand in 2024) after deducting taxes of Euro 2,191 thousand (Euro 3,599 thousand in 2024).

Net of the portion attributable to non-controlling interests, the net result is Euro 1.691 thousand.

Profitability ratios

		Financial year ended 31 December	
Ratio	Composition	2025	2024
Return on sales (R.O.S.)	Operating income/Net revenues	7.6%	8.5%
Return on investment (R.O.I.)	Operating income/Invested capital	9.6%	9.1%
Return on equity (R.O.E.)	Net result/Shareholders' equity	2.3%	-6.7%
Invested capital turnover	Net revenues/Invested capital	1.26	1.07
Working capital turnover	Net revenues/Working capital	3.59	2.40
Debt ratio/EBITDA	Net financial position/EBITDA	3.22	3.58
Debt ratio	Net financial position/Shareholders' equity	1.77	1.89

The table above summarises the main trends that characterised the financial statements of the Group as at 31 December 2025 compared to 31 December 2024.

3.4 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 December 2025 compared to those as at 31 December 2024, broken down into the three operating segments.

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Energy	96,647	37.5%	77,315	32.3%	19,332
Trencher	107,551	41.8%	111,851	46.7%	(4,300)
Rail	53,408	20.7%	50,380	21.0%	3,028
Total revenues	257,606	100.0%	239,546	100.0%	18,060

In 2025, the Group achieved total revenues of Euro 257,606 thousand compared to Euro 239,546 thousand in 2024, recording an increase of 7.5%. This result is the combined effect of different trends in the three segments:

- **Energy:** with regard to the Energy segment, revenues amounted to Euro 96,647 thousand, increasing by 25.0% compared to the figure of Euro 77,315 thousand as at 31 December 2024. The positive performance was mainly driven by significant growth in the Stringing equipment segment, supported by robust and expanding demand in a market with favourable prospects – where Tesmec’s solutions are well positioned – and by a strong sales pipeline. The Automation segment also made a positive contribution, continuing the progressive implementation of the order backlog. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 65,709 thousand, compared to Euro 50,808 thousand as at 31 December 2024 (+29.3%). The Energy-Automation segment achieved revenues of Euro 30,938 thousand, compared to Euro 26,507 thousand as at 31 December 2024.
- **Trencher:** revenues of the Trencher segment amounted to Euro 107,551 thousand, decreasing by 3.8% compared to Euro 111,851 thousand as at 31 December 2024. This change reflects the trends already observed during the financial year, which varied across different markets: on the one hand, there were strong results in Europe, North Africa, West Africa and the Americas, driven in particular by the recovery of the US market and the positive contribution from the LATAM region; on the other hand, there are signs of a slowdown in Oceania, Saudi Arabia and South Africa, attributable to delays in the launch of investment projects, with a recovery expected in 2026.
- **Rail:** the Rail segment recorded Revenues of Euro 53.408 million, up 6.0% compared to Euro 50.380 million recorded as at 31 December 2024, thanks to the progress of orders already acquired and the impact of the new strategic approach, focused on high-value diagnostic projects and international diversification. Confirming the role of diagnostic vehicles as a key element in the digitalisation of the rail network, Tesmec’s bimodal “TIPO 4” vehicle is an integral part of the fleet renewal plan and a symbol of RFI’s technological innovation.

Operating costs by segment

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Energy	83,517	86.4%	72,003	93.1%	11,514
Trencher	105,989	98.5%	102,100	91.3%	3,889
Rail	48,581	91.0%	45,007	89.3%	3,574
Total operating costs	238,087	92.4%	219,110	91.5%	18,977

Operating costs, depreciation and amortisation including, were up 8.7% compared to the prior period, outpacing the sales trend (7.5%).

The tables below show the EBITDA as at 31 December 2025 compared to that as at 31 December 2024, broken down into the three operating segments:

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Energy	19,376	20.0%	11,366	14.7%	8,010
Trencher	10,952	10.2%	20,190	18.1%	(9,238)
Rail	10,167	19.0%	9,546	18.9%	621
EBITDA	40,495	15.7%	41,102	17.2%	(607)

Margins decreased in absolute terms by Euro 607 thousand (from Euro 41,102 thousand in 2024 to Euro 40,495 thousand in 2025) in percentage terms from 17.2% in 2024 to 15.7% in 2025. This result is the combined effect of different trends in the three segments:

- the Energy segment reached an EBITDA of Euro 19,376 thousand (or 20.0% of sales), an increase of Euro 8,010 thousand compared to Euro 11,366 thousand in 2024. This result was made possible by (i) an improved product mix, (ii) efficiency measures implemented throughout the supply chain, which contributed to an improvement in operating margins, and (iii) the operating leverage generated by higher volumes, against stable fixed costs. The *Energy-Automation* segment also benefited from a positive impact in terms of operating leverage, whilst it looks forward to reaping in the coming quarters the benefits deriving from the new long-term contracts recently acquired. Specifically, the *Energy-Stringing segment* reported an EBITDA of Euro 13,338 thousand, an increase of Euro 6,902 thousand compared to Euro 6,436 thousand whilst the *Energy-Automation* segment achieved an EBITDA of Euro 6,038 thousand, an increase of Euro 1,108 thousand compared to Euro 4,930 thousand in 2023;
- the Trencher segment generated an EBITDA of Euro 10,952 thousand (or 10.2% of Revenues), down Euro 9,238 thousand compared to Euro 20,190 thousand in 2024 due to the combined effect of lower volumes and changes in the sales mix, together with developments in customs tariff policies and exchange rate fluctuations;
- the Rail segment recorded an EBITDA of Euro 10,167 thousand (or 19.0% of Revenues), up Euro 621 thousand compared to Euro 9,546 thousand in 2024, thanks to the progress of orders already acquired and the impact of the new strategic approach, focused on high-value diagnostic projects and international diversification.

Operating Income

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Stringing Equipment	13,130	13.6%	5,312	6.9%	7,818
Trencher	1,562	1.5%	9,751	8.7%	(8,189)
Rail	4,827	9.0%	5,373	10.7%	(546)
Total operating income	19,519	7.6%	20,436	8.5%	(917)

The operating income as at 31 December 2024 stood at Euro 19,519 thousand (7.6% of revenues) down compared to Euro 20,436 thousand (8.5% of revenues) achieved as at 31 December 2024.

3.5 Balance sheet and financial profile

The financial position of the Group as at 31 December 2025 compared to 31 December 2024 is briefly shown in the table below.

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
USES			
Net working capital	71,798	99,817	(28,019)
Fixed assets	116,847	106,880	9,967
Other long-term assets and liabilities	15,520	21,941	(6,421)
Assets and liabilities held for sale	-	(4,075)	4,075
Net invested capital	204,165	224,563	(20,398)
SOURCES			
Group net financial indebtedness	130,435	146,951	(16,516)
Shareholders' equity	73,730	77,612	(3,882)
Total sources of funding	204,165	224,563	(20,398)

A) Net working capital

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
Trade receivables	61,089	55,429	5,660
Work in progress contracts	34,251	36,734	(2,483)
Inventories	87,664	96,134	(8,470)
Trade payables	(103,782)	(79,905)	(23,877)
Other current assets/(liabilities)	(7,424)	(8,575)	1,151
Net working capital	71,798	99,817	(28,019)

Net working capital of Euro 71,798 thousand decreased by Euro 28,019 thousand compared to 31 December 2024. This trend is mainly attributable to a decrease in the items "Work in progress contracts" and "Inventories" totalling Euro 10,953 thousand (of which Inventories of Euro 8,470 thousand and Work in progress on orders of Euro 2,483 thousand), partially offset by an increase in the item "Trade receivables" of Euro 5,660 thousand, and by an increase in the item "Trade payables" of Euro 23,877 thousand, concentrated in the Trencher (which was affected by purchasing programmes that were more concentrated in the second half of the year compared to 2024) and Stringing equipment segments (which historically operates with negative working capital and which, therefore, contributed to the optimisation of the year-end mix).

B) Fixed assets

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
Intangible assets	46,430	42,238	4,192
Property, plant and equipment	37,384	34,160	3,224
Rights of use	19,826	23,373	(3,547)
Equity investments in associates	13,165	7,066	6,099
Other equity investments	42	43	(1)
Fixed assets	116,847	106,880	9,967

The total of *fixed assets* recorded a net increase of Euro 9,967 thousand compared to 31 December 2024, mainly attributable to the increase in the item Equity investments in associates of Euro 6,099, relating primarily to the recognition, using the equity method, of the equity investment in Groupe Marais SAS following the transaction described in paragraph 2.6 *Assets and liabilities held for sale*.

C) Other medium to long-term assets and liabilities

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
Financial receivables and other non-current financial assets	6,021	9,803	(3,782)
Non-current trade receivables	1,476	2,912	(1,436)
Other non-current assets	6	8	(2)
Deferred tax assets	13,825	14,748	(923)
Employee benefit liability	(3,934)	(3,915)	(19)
Deferred tax liabilities	(1,874)	(1,615)	(259)
Other long-term assets and liabilities	15,520	21,941	(6,421)

Medium to long-term assets and liabilities decreased by Euro 6,421 thousand from Euro 21,941 thousand as at 31 December 2024 to Euro 15,520 thousand as at 31 December 2025. This change is mainly attributable to the decrease in *Financial receivables and other non-current financial assets* of Euro 3,782 thousand.

D) Net Financial Indebtedness

	Financial year ended 31 December			
	2025	of which with related parties and group	2024	of which with related parties and group
<i>(Euro in thousands)</i>				
Cash and cash equivalents	(40,560)		(29,559)	
Current financial assets	(22,384)	(6,178)	(35,740)	(1,496)
Current financial liabilities	83,891	2,516	98,135	1,081
Current financial liabilities from rights of use	9,624	3,042	10,454	2,714
Current portion of derivative financial instruments	-		47	
Current financial indebtedness	30,571	(620)	43,337	2,299
Non-current financial liabilities	81,762	-	80,124	1,899
Non-current financial liabilities from rights of use	18,019	490	23,314	3,781
Non-current portion of derivative financial instruments	83		176	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	99,864	(130)	103,614	7,979
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	130,435	(750)	146,951	10,278
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	130,435	(750)	146,951	10,278

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2025, is equal to Euro 102,792 thousand with a decrease of Euro 10,391 thousand compared to the end of 2024.

The net financial indebtedness as at 31 December 2025 decreased by Euro 16,516 thousand compared to the end of 2024 (-11.2%).

The table below shows the breakdown of the changes:

- decrease in current financial indebtedness of Euro 12.766 thousand due to the:
 - decrease in cash and cash equivalents and current financial assets of Euro 2.355 thousand;
 - decrease in current financial liabilities of Euro 14,244 thousand mainly due to the portions reimbursed in 2025 of 66,541 thousand;
- decrease in medium/long-term financial indebtedness of Euro 3,750 thousand following the syndicated loan transaction totalling Euro 53,384 thousand maturing on 31 December 2031, part of which was used for the partial early repayment of the medium/long-term indebtedness, as described in previous paragraph 2.5 *Significant events occurred in the period and change in the corporate structure*.

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 2025 were met.

With regard to reverse factoring, the Group assesses, for each supplier, the deferral conditions obtained from financial counterparties on these liabilities and, depending on the substance of the liabilities, records them as trade payables or reclassifies them as financial payables. This assessment is required to understand the substance of the deferral agreements and necessarily involves a subjective assessment of the elements to be considered for the purposes of whether or not the corresponding payable is included in the Group's financial liabilities. Pursuant to the aforementioned ESMA guidelines, it should be noted that the amounts relating to reverse factoring not included in the statement on indebtedness, in that the deferment is part of the Group's normal practice, amount to Euro 12,986 thousand (Euro 7,962 thousand as at 31 December 2024).

Shareholders' Equity

	Financial year ended 31 December		
	2025	2024	2025 vs 2024
<i>(Euro in thousands)</i>			
Share capital	15,702	15,702	-
Reserves	53,362	64,007	(10,645)

Profit/(loss) for the year	1,691	(5,181)	6,872
Non-controlling interests	2,975	3,084	(109)
Shareholders' equity	73,730	77,612	(3,882)

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:

<i>(Euro in thousands)</i>	Financial year ended 31 December 2025	
	Shareholders' Equity	Net result
Amounts resulting from the financial statements of Tesmec S.p.A.	98,769	(207)
<i>Consolidation adjustments</i>		
a) Equity investments evaluated using the equity method	11,537	421
b) Difference between book value and assets of consolidated equity investments	(66,440)	
c) Results from consolidated equity investments	(2,946)	(2,946)
d) Translation reserve	(923)	
e) Elimination of dividends distributed by Companies of the Group	(1,100)	(1,100)
f) Elimination of intra-group items	31,858	5,523
<i>Net effect of consolidation adjustments</i>	<i>(28,014)</i>	<i>1,898</i>
Amounts attributable to the Group	70,755	1,691

Capital Expenditure (CapEx)

Investments include capitalisations relevant to development projects (Euro 12,273 thousand, an increase compared to the value of Euro 10,559 thousand as at 31 December 2024) 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 2025, the Tesmec Group continued to implement its strategy of:

- (e) international and technological development in the highest value-added segments of its core markets, which are experiencing a multi-year growth phase, with an approach prioritizing "value" over "volumes";
- (f) efficiency gains in fixed costs (SG&A and Technical Offices) relative to revenue;
- (g) strategic and business strengthening through alliances in specific markets and increased backlog;
- (h) financial strengthening, both in terms of reducing financial debt and increasing financial flexibility.

This strategic approach allowed in 2025:

- on the one hand, to offset, through structural growth in the Energy and Rail segments, an adverse performance of the Trencher segment in specific markets and
- on the other hand, starting from an EBITDA substantially aligned with that of 2024 and despite a negative impact from changes in exchange rates and duties, to generate a net profit compared to the loss in 2024, thanks to the positive contribution from the conclusion of the strategic agreement in the French market.

At the same time, as of December 31, 2025, Tesmec significantly reduced its net financial debt, while simultaneously extending its maturity, and increased its backlog.

Looking ahead to 2026, despite the uncertainty posed by the current international geopolitical and macroeconomic context, the Group expects growth driven by opportunities in sectors driven by the energy transition. This growth is expected to benefit from significant prospects related to the backlog in the Energy-Automation segment, the growing demand for stringing solutions, the internalization strategy in the Railway sector, and the positive outlook for cable-laying and surface mining technologies in the Trenchers sector. Thanks to its international presence and current production structure, with plants in both Italy and the US, it is also believed to be able to address the challenges posed by the current evolving scenario in that country, equally marked by considerable uncertainty, with the necessary flexibility. Furthermore, management remains committed to prioritizing profitability and cash generation over volumes, while continuing to pursue strategic initiatives aimed at industrial strengthening and increasing the efficiency of invested capital.

Furthermore, it should be noted that the 2026 Budget and the 2027-2029 Business Plan are based on assumptions characterized by significant uncertainties. On the one hand, the Plans were prepared taking into account certain hypothetical assumptions of a general nature concerning future events that depend substantially on variables beyond the Group's control, relating to the prospective evolution of the markets and sectors in which the Group operates and the macroeconomic scenario. These events may not necessarily occur or may occur only partially, or to a different extent, manner, and/or timing than projected. In this context, it should be noted that the plans were developed without specifically considering the effects of the Russian-Ukrainian conflict and the recent tensions in the Persian Gulf. In this regard, while the Group is not exposed to significant reductions in business related to limited operations in the Russian-Ukrainian area (limited contribution to consolidated revenues in the recent period of approximately 0.2%), it should be noted that in 2025, approximately 14% of consolidated revenues and approximately 5% of the Tesmec Group's backlog will be attributable to the Middle East, primarily Saudi Arabia and Qatar.

Furthermore, it should be noted that the Group has already activated port diversification to limit delays and is working with customers to share additional logistics costs. Furthermore, the economic and financial projections hypothesized in the Plan were also defined based on hypothetical assumptions relating to compliance with the clauses of financial contracts that entail limits on the use of financial resources (including covenants) and the prospective evolution of the business, which are discretionary in nature and relate to future events, which are uncertain and partly beyond the control of the Directors and Management.

Therefore, due to the uncertainty associated with the occurrence of any future event, both in terms of its actual occurrence and in terms of the extent and timing of its manifestation, there could be deviations, even significant ones, between actual values and the values forecast in the Plan, as well as delays in the execution of the Plan itself, with possible negative effects on the Group's business, financial position, economic results and prospects.

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. Where such a risk has arisen in the past, the Group has demonstrated its ability to secure waivers from its lending banks, reflecting the banking sector's confidence in the Group, which was further confirmed by its ability to refinance maturing debt, as was also the case in 2024.

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) armed conflicts, (ii) social, economic and political instability; (iii) boycotts, sanctions and embargoes that could be imposed by the international community against the countries in which the Group operates; (iv) significant recession, inflation and depreciation of the local currency; (v) internal social conflicts that result in acts of sabotage, attacks, violence and similar events; (vi) 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 Tescmec 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 Tescmec 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, given the current market environment, characterized by rising energy costs and, more generally, raw material procurement costs, rigidities in the global supply chain, difficulties in the global logistics sector, and, most recently, the outbreak – after the end of the financial year – of war in the Persian Gulf area, with potential effects not only on trade relations with these markets but also, theoretically, on the global macroeconomic scenario, the Group cannot rule out that future changes in prices and scenarios in supply markets may negatively impact its 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 digitalisation - 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 2025 compared with that of the prior financial year is summarised below:

	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
<i>(Euro in thousands)</i>					
Revenues from sales and services	133,673	100.0%	124,329	100.0%	9,344
Cost of raw materials and consumables	(73,384)	-54.9%	(74,769)	-60.1%	1,385
Costs for services	(25,296)	-18.9%	(22,154)	-17.8%	(3,142)
Payroll costs	(25,667)	-19.2%	(25,031)	-20.1%	(636)
Other net operating costs/revenues	812	0.6%	5,094	4.1%	(4,282)
Amortisation/Depreciation	(7,699)	-5.8%	(7,394)	-5.9%	(305)
Development costs capitalised	5,011	3.7%	4,190	3.4%	821
Total operating costs	(126,223)	-94.4%	(120,064)	-96.6%	(6,159)
Operating income	7,450	5.6%	4,265	3.4%	3,185
Financial expenses	(17,445)	-13.1%	(16,227)	-13.1%	(1,218)
Financial income	9,123	6.8%	15,765	12.7%	(6,642)
Pre-tax profit/(loss)	(872)	-0.7%	3,803	3.1%	(4,675)
Income tax	665	0.5%	(447)	-0.4%	1,112
Net profit/(loss) for the year	(207)	-0.2%	3,356	2.7%	(3,563)

Revenues from sales and services mainly refer to income deriving from the transfer of stringing machines and equipment and trenchers, these revenues increased by 7,5%.

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 sector for the 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 both for the 2025 financial year and for the 2024 financial year.

The table below illustrates the performance of EBITDA that increased by 29,4% compared to the previous financial period:

(Euro in thousands)	Financial year ended 31 December				
	2025	% of revenues	2024	% of revenues	2025 vs 2024
Operating income	7,450	5.6%	4,265	3.4%	3,185
+ Amortisation/depreciation	7,699	5.8%	7,394	5.9%	305
EBITDA	15,149	11.3%	(11,659)	9.4%	3,490

Operating Income

The operating income of Euro 7,450 thousand in 2025 is Euro 3,185 thousand higher than in 2024 thanks to the performance of the stringing equipment sector.

Net result

The result for the period amounted to Euro -207 thousand (totalling Euro 3,356 thousand in 2024) after deducting positive taxes totalling Euro 665 thousand (negative taxes of Euro 447 thousand in 2024).

Balance sheet and financial profile

The financial position of the Company as at 31 December 2025 compared to 31 December 2024 is summarised in the table below.

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
USES			
Net working capital	16,841	19,803	(2,962)
Fixed assets	116,584	114,530	2,054
Other long-term assets and liabilities	40,932	25,973	14,959
Net invested capital	174,357	160,306	14,051
SOURCES			
Net financial indebtedness	75,588	61,359	14,229
Shareholders' equity	98,769	98,947	(178)
Total sources of funding	174,357	160,306	14,051

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

Working capital

(Euro in thousands)	Financial year ended 31 December		
	2025	2024	2025 vs 2024
Inventories	33,106	28,715	4,391
Trade receivables	53,268	46,792	6,476
Trade payables	(63,610)	(52,851)	(10,759)
Other current assets/(liabilities)	(5,923)	(2,853)	(3,070)
Net working capital	16,841	19,803	(2,962)

The Working capital compared to revenues decreased to 12.6% reported in 2025 from 15.9% in 2024. This result was affected by a decrease in trade payables of Euro 10,759 thousand.

Fixed assets

	Financial year ended 31 December		
	2025	2024	2025 vs 2024
Intangible assets	14,972	13,074	1,898
Property, plant and equipment	8,813	9,242	(429)
Rights of use	7,214	9,626	(2,412)
Equity investments in subsidiaries	84,541	81,541	3,000
Equity investments in associates	1,008	1,008	0
Other equity investments	36	39	(3)
Fixed assets	116,584	114,530	2,054

Total fixed assets recorded a net increase of Euro 2,054 thousand mainly due to the increase in *Equity investments in subsidiaries* of Euro 3,000 thousand. This increase is related to the equity investment in Tesmec Automation S.r.l. following the partial conversion of the outstanding loan into capital reserves

Net financial indebtedness

	Financial year ended 31 December			
	2025	of which with related parties and group	2024	of which with related parties and group
<i>(Euro in thousands)</i>				
Cash and cash equivalents	(15,909)		(12,805)	
Current financial assets	(46,409)	(41,745)	(65,408)	(58,017)
Current financial liabilities	66,257	6,831	74,069	4,986
Current financial liabilities from rights of use	3,964	2,986	3,659	2,594
Current portion of derivative financial instruments	-		47	
Current financial indebtedness	7,903	(31,928)	(438)	(50,437)
Non-current financial liabilities	64,798	-	55,866	1,899
Non-current financial liabilities from rights of use	2,805	255	5,755	3,241
Non-current portion of derivative financial instruments	82		176	
Non-current financial indebtedness	67,685	255	61,797	5,140
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	75,588	(31,673)	61,359	(45,297)

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2025, is equal to Euro 68,819 thousand with an increase of Euro 16,874 thousand compared to the end of 2024.

Net indebtedness stood at Euro 75,588 thousand as at 31 December 2025 from Euro 61,359 thousand as at 31 December 2024. The increase of Euro 14,229 thousand is mainly due to an increase in current financial indebtedness.

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
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General basis for preparation

The Consolidated Sustainability Reporting (Sustainability Reporting) of Tesmec S.p.A. and its subsidiaries (Tesmec Group, Tesmec, the Group) for the year ended 31 December 2025 was prepared in accordance with Article 4 of **Italian Legislative Decree 125/2024**, which implemented the **Corporate Sustainability Reporting Directive (CSRD)** (EU) 2024/2464 as amended into Italian law.

The 2025 Sustainability Reporting has been prepared, as required by CSRD, in compliance with the **European Sustainability Reporting Standards (ESRS)**.

The ESRS defines the information an organisation must communicate about its **impacts, risks and opportunities** related to material environmental, social and governance **sustainability topics**. 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, ([4.1.4 Impact, risk and opportunity management](#) in paragraph [4.1.4.1 Materiality Assessment](#)), was carried out as required by the ESRS. This process is updated and developed over time, as part of the Tesmec Group's reporting (accountability) process. The forward-looking information was formulated based on hypotheses of events that may occur in the future and on possible future actions of the 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 topics covered ([Annex 1 - ESRS Content Index](#)), which is published as an appendix to the Sustainability Reporting 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.

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

The Sustainability Reporting includes the disclosure currently 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 [4.2.1 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 2025, for the entire reporting period (for the period from 1 January 2025 to 31 December 2025), except for what is specified below.

000 Tesmec RUS	Exclusion of environmental data	The Company does not generate material direct environmental impacts.
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Deconsolidation of Groupe Marais - During 2025, as part of the Tesmec Group's efforts to reorganise its operations in France, a transaction involving the equity of Groupe Marais SAS was completed, resulting in OT Engineering (Comergy Group) holding 50% of the share capital, with an option to acquire the majority of the share capital. Following this transaction, the deconsolidation of Groupe Marais became final. For further information, please refer to paragraph 2.6 *Assets and liabilities held for sale* in the Report on Operations.

Disclosures in relation to specific circumstances

Time horizons - The Tesmec Group defines its time horizons in accordance with the provisions of ESRS 1 (6.4, Definition of short-, medium- and long-term for reporting purposes). In particular, the short term refers to the financial statement period, the medium term to up to five years, and the long term to more than 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 mentioned in the 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 Scope 3 emissions	GHG Scope 3 emissions along the value chain (upstream and downstream 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.
ESRS E1 - Energy	The energy consumption by Marais Trenching (Pty) Ltd., AFS and Tesmec Energy was estimated on the basis of the average consumption in previous years, while the energy consumption for Tesmec France SAS was estimated in proportion to the space occupied inside the building shared with another company.
ESRS E5 - Inflows of materials	The quantities relating to wooden packaging of the Italian companies Tesmec S.p.A., Tesmec Automation S.r.l. and Tesmec Rail S.r.l. were estimated on the basis of the average weight of this type of packaging.
ESRS E5 - Waste	The quantities of waste produced by the Tesmec SA (Pty) LTD and Marais Laying Tech. (Pty) Ltd. in New Zealand were estimated; similarly, their disposal along with that of the waste produced by Tesmec USA Inc. was estimated on the basis of the most commonly used management method.

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.

In particular, the environmental data relating to direct Scope 1 emissions during the two-year period from 2023 to 2024, as well as indirect Scope 2 and Scope 3 emissions for the year 2024 were restated in this document, in addition to the final destination of certain waste for 2024. With regard to social information, the figures relating to the number of employees at the end of 2024, the number of employees eligible for family leave during the two-year period from 2023 to 2024, and the gender pay gap percentage for 2024 have been restated.

Note that the indications, recalculation criteria and effects are also referred to within 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 Reporting and placed in another section of the Report on Operations/Financial Statement or Consolidated financial statements of the Tesmec Group.

Disclosure Requirement		Informative element	Paragraph
ESRS 2 BP-1 General principles for preparing sustainability statements	ESRS 2 DR 5b	Deconsolidation of Groupe Marais	2 Reference context / 2.6 Assets and liabilities held for sale
ESRS 2 SBM-1 Strategy, business model and value chain	ESRS 2 DR 40a	General geopolitical and social context	2 Reference context
ESRS 2 SBM-1 Strategy, business model and value chain	ESRS 2 DR 40b	Revenue breakdown by sector and by geographical area	3 Group economic and financial results and performance
ESRS S1-6 Characteristics of the undertaking's employees	ESRS S1-6 DR 50f	Reconciliation between the total number of employees and the most representative balance sheet item	3 Group economic and financial results and performance

Use of phase-In provisions in accordance with Appendix C of ESRS 1 – In accordance with Appendix C ESRS 1, as amended by Delegated Regulation (EU) 2025/1416, 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).

The regulatory framework of the Tesmec Group

The regulatory framework on the reporting on environmental, social and governance (ESG) topics is based on the provisions initially set out in the aforementioned Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive – CSRD), implemented in Italy by Italian Legislative Decree no. 125 of 6 September 2024 (Italian Legislative Decree 125/2024). The CSRD requires the publication of the Sustainability Reporting, Sustainability Statement as a separate section and an integral part of the Report on Operations to the Financial Statements (either separate or consolidated for corporate groups).

Following the presentation of the proposals by the European Commission (26 February 2025 – Omnibus), the regulatory framework has been **amended** as follows:

Areas	References
Obligated parties Scope of companies subject to CSRD requirements (size criteria)	Directive (EU) 2026/470 of 24 February 2026 , which is currently being implemented into the Italian law, amended the parameters originally set out in the CSRD, establishing that Sustainability reporting obligations apply to companies with Revenues exceeding Euro 450 million and an average of 1,000 employees during the financial year.
ESRS reporting standards	The ESRS review process ended in November 2025. EFRAG published the updated document on 4 December 2025 (Technical Opinion) for subsequent review by the European Commission, following which the EU Regulation amending the standards will be published (by July 2026).

4.1.2 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 Investor Relation-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.

4.1.2.1 The governance system

ESRS Standards	ESRS 2 GOV-1
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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 30 April 2025 and will remain in office until approval of the financial statements for the year ended 31 December 2027: it consists of 10 members, of whom 5 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.

50% 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 No. 4	40%	Men No. 6	60%	Total No. 10 100%
Under 30 years of age No. -	0%	Between 30 and 50 years of age No. 4	40%	Over 50 years of age No. 6 60%

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**, Ambrogio Caccia Dominioni, **and the Chief Executive Officers**, Caterina Caccia Dominioni e Carlo Caccia Dominioni, are the chiefly responsible for managing the Group.

The Chairman of the Board of Directors and the Chief Executive Officers have also been granted operational proxies. Ambrogio Caccia Dominioni, Caterina Caccia Dominioni e Carlo Caccia Dominioni are 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, Caterina Caccia Dominioni e Carlo Caccia Dominioni have an important role in the management of the Tesmec Group's business and represent important resources 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

Expertise in sustainability.

Its role is to support the Board of Directors in analyzing topics relevant to long-term value creation and in assessing the sustainability report.

Remuneration and Appointments Committee

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 (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.

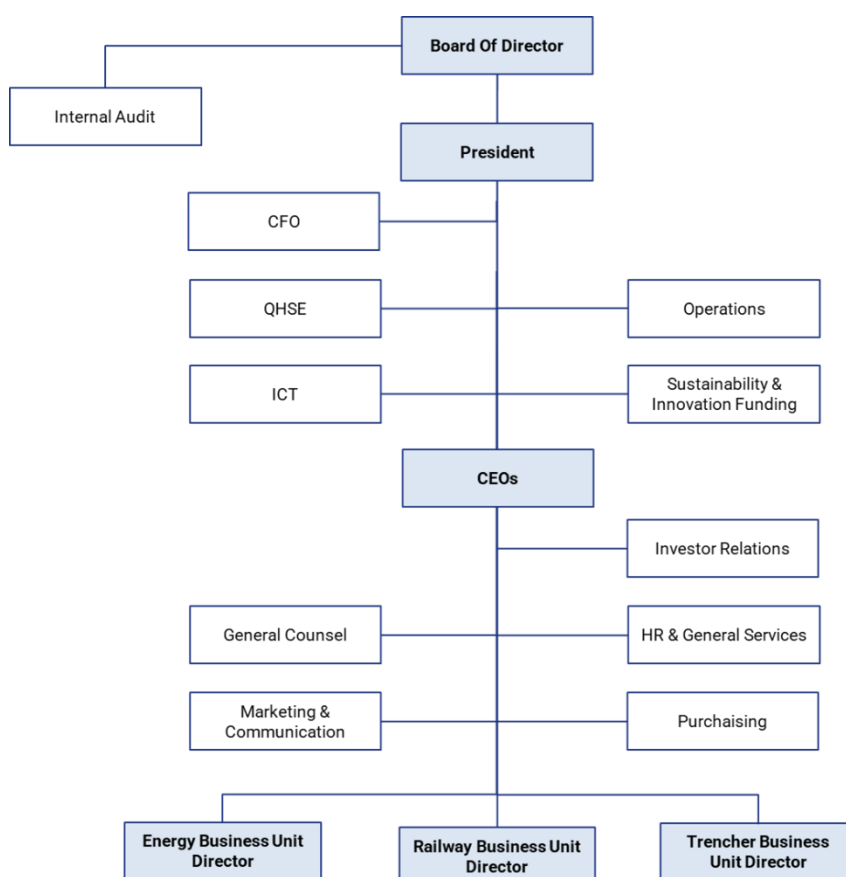
For more details on how to manage conflicts of interest, please refer to the Procedure for Related Party Transactions published in the Related Party Transactions section of www.tesmec.com.

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.



4.1.2.2 The process of information and management of sustainability topics

ESRS Standards	ESRS 2 GOV-1, GOV-2
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The Board of Directors delegates part of its management powers to the Chief Executive Officers 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 an integral part of its overall Corporate Governance processes. 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	Defining, approving and updating the sustainability strategy by 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 Tesmec Group's top management comprises Managers, (Chief Executive Officers (CEOs), Chief Financial Officer (CFO) and Business Unit (BU) Directors, as well as a number of function managers. The top management defines the company strategy and sustainability policies, setting clear and measurable objectives. It is responsible for monitoring sustainability impacts and risks.

The top management plays a key role in **defining, implementing and controlling governance processes to regulate, manage, monitor 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.

The aim of the monitoring activities is to **identify and assess the 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.

The adopted governance model includes a **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.

The top management **coordinates and supervises** the various business functions to ensure that sustainability policies are integrated into the operational phases. 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 are responsible for defining and implementing the 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 monitors progress. Please refer to the chapter [Objectives and material topics](#) for more details.

In the challenge of decarbonisation and electrification, energy infrastructure becomes an 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. The Group nevertheless recognises the importance of *strengthening* skills needed 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 aspects is crucial for the strategy 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 and others) 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 Officers - duly informed by the delegated functions - report to the Board of Directors at least quarterly on any ESG/sustainability issues that have arisen in the carrying out of their activities, so that informed and well-considered decisions can be taken and appropriate action undertaken. The Chief Executive Officers 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.

The assessment of sustainability impacts, risks and opportunities is an integral part of strategic decisions, significant transaction and risk management processes. 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 is designed to ensure adequate monitoring to mitigate critical issues and seize opportunities. Governance bodies assess any need to strike a balance and reach compromises between development and corporate responsibility commitments to stakeholders on sustainability matters.

The material impacts, risks and opportunities faced by the administrative, management and supervisory bodies are discussed in more detail in the chapter [*I temi rilevanti \(IRO - Impatti Rischi Opportunità rilevanti\)*](#).

4.1.2.3 Integration of sustainability-related performance in incentive schemes

ESRS Standards	ESRS 2 GOV-3
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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 Officers 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 Officers, 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 2025 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 sustainability targets, on the topics relating to Energy, Training and skills development, and Health and Safety. In particular, this variable ESG component is linked to the achievement of KPIs related to:
 - the share of electricity from renewable sources;
 - the average annual number of training hours per employee;
 - the All-Inclusive Index of injuries that combines severity index and frequency index.

The Shareholders' Meeting held on 30 April 2025, in accordance with the regulations in force, approved the Remuneration Policy for the 2025 financial year described in Section I of the report on the policy of remuneration and compensation paid published in 2025, with 100% of the attendees.

4.1.2.4 The sustainability due diligence process

ESRS Standards	ESRS 2 GOV-4
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The sustainability due diligence process is a fundamental aspect for 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. This approach allows to 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**:

- 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 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)
Embedding due diligence in governance, strategy and business model	▪ GOV-1 – The governance system ▪ GOV 2 – The process of information and management of sustainability topics ▪ 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 ▪ G1-2 - Management of relationships with suppliers
Engaging with affected stakeholders in all key steps of the due diligence	▪ SBM-2 – Stakeholders: interests and expectations
Identifying and assessing negative impacts	▪ SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model ▪ IRO-1 – Materiality Assessment
Taking action to address negative impacts	▪ E1-3 Actions and resources in relation to climate change ▪ 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 own workforce ▪ S2-4 Taking action on workers in the value chain ▪ S4-4 Taking action on consumers and end-users
Tracking the effectiveness of these efforts and communicating	▪ SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model ▪ G1-2 - Management of relationships with suppliers

4.1.2.5 The internal control system over sustainability reporting

ESRS Standards	ESRS 2 GOV-5
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The Tesmec Group, to complement the set of procedures, policies and tools described below, designed 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 Group in a faithful and verifiable manner, has embarked on a process of progressively developing its internal control system for sustainability reporting. At the date of preparation of this document, potential risks of error in the Reporting have not been formally identified, nor have specific mitigation controls been defined; to this end, a formal audit by the Internal Audit function has been scheduled for 2026, which will focus on compliance with the formalised procedure, the traceability of information, the definition of authorisation powers and clearly identified roles and responsibilities, as required by the relevant “Sustainability Statement” Group Policy. Furthermore, it will include verification of the double materiality assessment process and the consistency of the contents of the Sustainability Reporting.

Governance of the reporting process - subjects and roles

The “Sustainability Statement” **Group Policy**, 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.

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. At the same time, advanced technological tools are 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 Officers of any critical concerns that may have an impact on the Internal Control and Risk Management System through meetings held 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 on a quarterly basis.

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 (2023-2025).

For more detailed information on the risks identified, the mitigation strategies implemented and the methodology used for the assessment, refer to chapters [4.1.3.3. Material impacts, 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 an 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.

In this context, 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.

4.1.3 Strategy and business model

4.1.3.1 Strategy, business model and value chain

ESRS Standards	ESRS 2 SBM-1
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Tesmec SpA is listed on the Euronext STAR Milan segment of the Euronext Milan market of Borsa Italiana. Thanks to the technological knowledge and the know-how gained in more than 70 years of experience, the Tesmec Group is active in designing, manufacturing and selling **systems and integrated solutions for the construction, maintenance and diagnostics of infrastructures**, for the transport and supply of energy, data and materials (oil and derivatives, gas, water) as well as **technologies** for the running of quarries and surface mines.

The registered office of the parent company Tesmec S.p.A. is in Milan MI/Italy (Piazza Sant'Ambrogio 16), and the administrative office in **Grassobbio BG/Italy**.

The general geopolitical and social context was mentioned in the [chapter 2](#) of the Report on Operations, to which reference is made.

Production sites and research centres

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

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

	2025	2024
Total number of employees¹	919	988
Net revenues (Euro million)	257.6	239.5

¹ Following an improvement in data collection, the figure relating to the total number of employees for 2024 has been restated.

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

Mission and role

The Tesmec Group operates in the market of technologies dedicated to infrastructures for the transmission of electrical power, data and materials, **strategic sectors for the modernisation and sustainable development of Countries and economies**. Tesmec intends to consolidate its position as a solution provider in its business areas, seizing the opportunities offered by the macro trends of **energy transition, digitalisation, and sustainability**. Driven by the development of energy systems towards renewable sources, the increasing digitalisation of networks and an integrated approach to sustainability, Tesmec develops advanced technologies for more efficient, safer and environmentally friendly infrastructure.

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 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. Technologies can bridge the gaps and improve the efficiency of infrastructure across different countries, helping to meet the needs of local communities and regions. The Tesmec Group has a global strategy, but a local presence in the main areas of the planet to better interpret the needs of individual markets.

The need to rationalise energy costs and improve the speed of information transmission makes investing in energy and telecommunications crucial for ensuring and supporting economic development: therefore, Tesmec's mission, following a sustainable business approach, must include investing in technologies to streamline and manage networks.

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. Sustainability is a key factor in the Group's medium to long-term development strategy.	Investing in sustainability Quality and efficiency in resource management, and product and process innovation.
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The creation of modern and digital infrastructures, the installation of fibre optic cables for widespread connectivity, the modernisation and securing of rail networks, a sustainable mobility, the switch to the use of renewable energy sources, as well as the importance of strong, efficient power lines (Strong & Smart Grids) are consistent with an approach that pursues sustainable development.

The Group's products and services and the 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. The Group's main objective is to focus its activities on understanding and satisfying customers' needs by providing high value-added solutions.

The value chain of the Tesmec Group - Main players

Procurement	The planning of the Group's purchases is carried out 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 with the supply chain.
Operations	The Operations function coordinates resources and processes to obtain reliable finished products, ensuring quality, efficiency and the continuity of industrial processes.
Human resource management	Human resources are a company's greatest asset. 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 by the Technical Departments of the product lines.
Infrastructural activities	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 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: ▪ strategic marketing to guide product development; ▪ 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; ▪ 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**; procurement consist mainly of **raw materials**.

The planning of the purchases is carried out by the Purchasing Function of the parent company and partly managed in the USA, in cooperation with the Production and Planning Departments; purchases for the Energy-Automation Segment are managed separately.

The main raw materials are used by manufacturing companies (Tesmec S.p.A., Tesmec USA Inc., Tesmec France SAS, Tesmec Rail S.r.l.)

Segment	Raw materials
Trencher and Stringing equipment	Semi-finished steel and aluminium products (sheets, tubes, rounds, castings), semi-finished nylon products (rings and plates).
Energy-Automation	Electronic assemblies, printed circuit boards and carrier insulators.
Rail	Running gear, electric traction systems, cranes and lifting platforms.

The Group also purchases **diesel engines, commercial, hydraulic and electronic components**, and various services to support all of its operations.

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 intends to develop **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.

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, covering the entire spectrum from power lines to substations**.

Energy Stringing (Stringing Equipment)

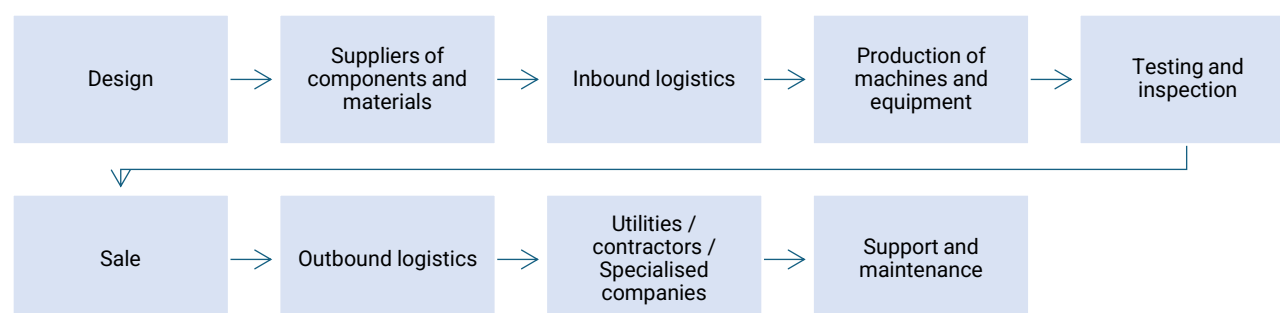
In the **Energy Stringing (Stringing Equipment)** segment, the Group consolidated its presence in the **tension stringing equipment market for the construction of aerial and underground lines for the transmission of electrical power**, thanks to its coverage of the world's main markets and the innovation and research and development activities.

The offer is characterised by an integrated solution approach that combines new digital technologies, on the one hand, with the long-standing tradition of quality, reliability and durability of the Tesmec trademark, on the other. Specific solutions are offered for all types and voltage levels of power lines, including extra-high-voltage lines and those using the new generation of high-efficiency conductors.

Tesmec sells **machines and equipment for the construction and maintenance of aerial and underground electric power lines**: including digital and full-electric stringing equipment machines, traditional machines and equipment for overhead and underground stringing equipment.

In the Stringing equipment segment, 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. Where there is a long-term plan for the procurement of specific components, annual sales programmes are drawn up; for short-term planning, the purchase of raw materials is based on the order backlog.

The **end customers** are public companies entrusted with the management of transmission and distribution power lines, structured companies participating in tenders 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 as subcontractors only on the installation of wires and companies that are mainly involved in the maintenance of existing power lines.



Energy Automation

The company's strategy has gradually led to the integration of network **management and automation** services alongside the construction of **power lines** within the Stringing equipment segment – in which Tesmec is a world leader – giving rise to the Energy Automation segment, which is characterised by a strong synergy in terms of the markets served and the types of customers. Tesmec also entered this segment through the acquisition of a number of specialised Italian companies.

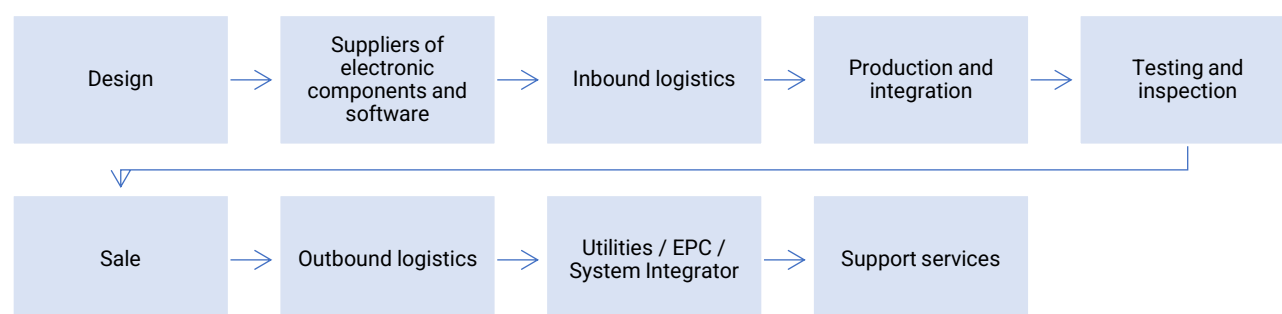
In the Energy Automation segment, Tesmec is a provider of solutions and technologies for electricity transmission and distribution networks, known as Smart Grids. The Group's technologies ensure the reliability, safety, efficiency and resilience of the infrastructure thanks to solutions that meet the 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**.

Tesmec has strengthened its expertise in **software development and in digitalisation processes**, enabling significant advances in the development of cutting-edge technologies and innovative solutions. This development led to the adaptation of existing production plants, increasing production capacity and efficiency. The aim is to respond

effectively to market demand whilst maintaining a high level of operational efficiency partly through the selection of the supply chain.

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.

The main **customers** include electrical utilities involved in the distribution and transmission of power (DSOs and TSOs, respectively), and in the 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, companies specialised in the integration of specific subsystems required for the operation of the electrical system (known as system integrators). Customers also include manufacturers of power units (transformers), for the integration of intelligent monitoring devices into their supply packages.



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**, as well as **constant training and retraining programmes** for customers' technicians.

Trencher segment

The Tesmec Group is one of the main operators worldwide in the **design, production, sale** and rental of high-powered crawler **trenchers for in-line excavations**, such as channels and trenches for laying cables or pipes) and **surface miners** for earthworks and mining activities.

In particular, the Group provides **solutions and technologies for in-line excavation** of telecommunication networks, installation of fibre optics, underground power lines, oil pipelines, gas pipelines, water systems, drainage operations, earthworks, quarries and surface mines and for specialised excavation services.

The strategy of Tesmec in the Trencher segment is to consolidate its position as an **international solutions provider for the construction, maintenance and improvement of the efficiency of civil and underground infrastructure and surface mines**. The Group's offer is based on integrated solutions aimed at responding to customer needs, through a strategy focused on innovation, integration, internationalisation and sustainability.

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. This approach prioritises a **direct and well-established presence in key regions around the world**, enabling the company to identify and meet the specific needs of different markets.

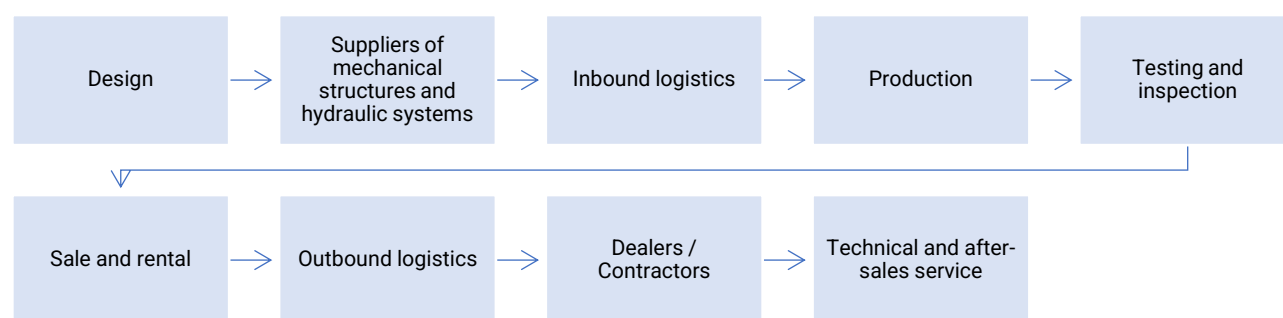
The Tesmec Group's activities are not limited to the sale of machines; they also include the provision of short-, medium- and long-term **rental solutions**, with or without an operator. The services provide both through internal personnel and external consultants, are **consultancy and inspections, feasibility studies and geological analyses, training, fleet management and supervision**, diagnostic and maintenance services, on-site assistance and provision of mobile workshops.

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. Long-term planning for the procurement of specific components is managed with annual sales programmes; whereas, for short-term planning, the purchase of raw materials is based on the order backlog.

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, thereby **reducing the environmental impact compared to alternative excavation technologies available on the market**. The experience and know-how of the service team ensure the best possible support for machine and project management.

Customers in the Trencher segment include dealers (companies that purchase trenchers from the Group and sell or lease them, offering also post-sales services), contracting companies involved in the laying of pipelines, power cables and fibre optic cables as well as 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.



Rail segment

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

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

In parallel with the development of **technical solutions for the installation of the railway catenary wire system**, i.e. of rail power supply networks, Tesmec expanded its range of products developing **technologies and integrated solutions to automate** various maintenance operations **on rail power lines**.

The development has taken place through both internal growth and acquisitions, through strategic operations with **factories and research centres of excellence in Apulia (Monopoli and Bitetto)**. These operations have allowed the integration of the Group's "historical" skills in rail electrification with new digital skills as part of the maintenance and diagnostics of the rail network.

The product portfolio includes **integrated solutions for the installation of the railway catenary wire system, working vehicles** for the maintenance of catenary wire systems (wear and tear management) and of the track for special operations, such as removing snow as well as **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 the development of **projects dedicated to the electrification of working vehicles** to mitigate the direct

environmental impact of their use and the adoption of advanced **diagnostics** solutions to strengthen the maintenance and safety of rail networks.

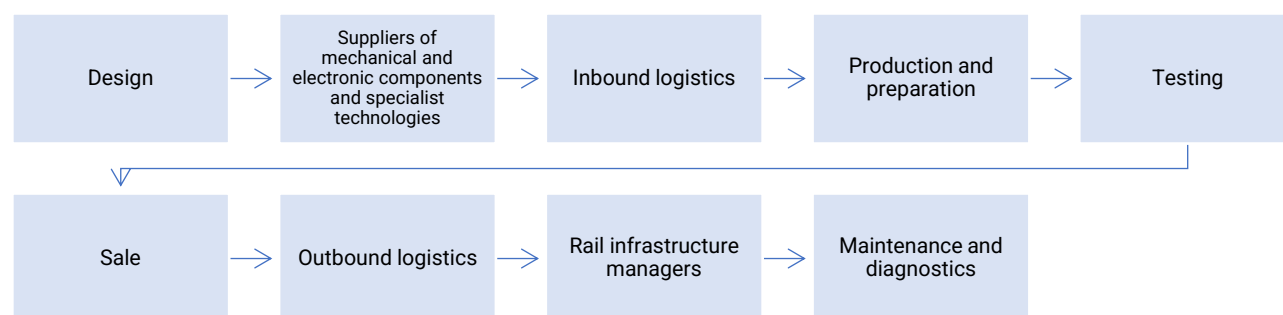
The comparison and collaboration with leading Italian and European rail infrastructure managers and contractors have contributed significantly to the development of the Group's technological offer. Research & Development is coordinated by specialised technicians, who closely collaborate with both the academic world and industrial technology partners. Tesmec's innovative working vehicles are designed in accordance with the most recent international standards to ensure operation with the utmost safety, efficiency and speed. The Group's advanced diagnostic technologies also meet the growing demand for safety and intelligent mobility.

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

The provision of high quality services requires the **involvement of the entire value chain**: from design, implementation and maintenance up to the offer to the end customer. In this context, Tesmec has always prioritised working with local suppliers to reduce transport times, costs and impacts.

In the **rail** segment, the Group's business is primarily **order-based**, involving participation in tenders called by the main rail authorities for medium- to long-term projects, generally lasting between three and five years. The development of these projects helps to create ongoing relationships with key suppliers, which can develop into structured partnerships.

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



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.

Employees by geographical areas

As at 31 December 2025, the Tesmec Group employed 919 people. The following figures are calculated with reference to employees at the end of each period (HC/Head Count).

Total number of employees by gender/geographical area	2025			2024*			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	110	518	628	112	512	624	110	515	625
France	7	31	38	17	106	123	19	117	136
USA	9	58	67	11	57	68	12	77	89
Rest of the world	20	166	186	22	151	173	19	157	176
Total	146	773	919	162	826	988	160	866	1,026

* The data for 2024 was restated following improvements in data collection. A total of 990 employees was stated previously.

68.3% of employees are based in Italy, 4.1% in France, 7.3% in the United States and the remaining 20.2% in other Countries.

Revenue breakdown by segment and by geographical area

The Group's revenues by segment are shown below. For more information, please refer to chapter [3 Group economic and financial results and performance](#).

As required by the ESRS, 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)	2025	% of revenues	2024	% of revenues	2025 vs 2024
Energy	96,647	37.5%	77,315	32.3%	19,332
Trencher	107,551	41.8%	111,851	46.7%	(4,300)
Rail	53,408	20.7%	50,380	21.0%	3,028
Total revenues	257,606	100.0%	239,546	100.0%	18,060

Financial year ended 31 December					
(Euro in thousands)	2025	% of revenues	2024	% of revenues	2025 vs 2024
Italy	64,066	24.9%	55,413	23.10%	8,653
Europe	44,167	17.1%	54,799	22.90%	(10,632)
Middle East	35,112	13.6%	38,463	16.10%	(3,351)
Africa	34,450	13.4%	26,883	11.20%	7,567
North and Central America	40,258	15.6%	28,786	12.00%	11,472
BRIC and Others	39,553	15.4%	35,202	14.70%	4,351
Total revenues	257,606	100.0%	239,546	100.00%	18,060

Tesmec's commitment to sustainable development - Strategy 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 Tesmec Group does not 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 entire Group.

The Group 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 focused on innovation and the quality of the solutions it offers, with particular emphasis on **energy efficiency, reducing the environmental impact and safety**. Although an assessment model that specifically links products, markets and customer groups to sustainability goals has not yet been developed, the Group is committed to progressively integrating these elements into its analyses and reporting tools.

Partnerships and collaborations

The collaboration agreements with universities and research institutes lay the foundation for overcoming innovation challenges with a systemic approach. The 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.

4.1.3.2 Stakeholders: interests and expectations

ESRS Standards	ESRS 2 SBM-2
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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.

The Tesmec Group builds, develops and maintains long-term relationships with its stakeholders through tools and systems designed to strengthen dialogue and collaboration. These relationships help to strengthen the Group's competitive position and its ability to generate and deliver value over the long term. In this context, stakeholder engagement is essential for understanding the interests, expectations and needs of the various stakeholders. This process enables the Group to support a more effective and informed decision-making process, facilitating an adequate 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, 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 constant changing environment.

Main stakeholders and engagement

The Group pays constant attention to the needs and expectations of its stakeholders in that fundamental to direct the business. The aim of actively engaging stakeholders is essential to understanding the needs, concerns and opportunities that may arise in the context of a business. Listening to and analysing the perspectives of its stakeholders enable it to adapt 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 concerned about environmental topics. The Group focuses investments on technological innovation processes that **reduce the environmental impact of its products and services**. With regard to its strong 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 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 channels used over the years and main topics that may have emerged from each stakeholder group during the engagement phase. 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.

Stakeholder	Type of involvement activity	Topics/expectations expressed by stakeholders
Shareholders	Virtual Shareholders' Meeting Call Conference Result Presentations IR Events	Approval of financial statements Presentation and update of strategy / company results, governance
Investors and lenders	Call Conference Result Presentations IR Events	Presentation and update 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.

Tesmec has promoted several opportunities for discussion with its stakeholders in order to explore topics related to the business and market trends. During the interactions, especially during the meetings at trade fairs, there is a growing interest in solutions capable of generating a positive environmental impact, specifically with regard to:

- the **development of renewable sources** and their integration into energy networks (Automation range: smart grids);
- the **digitalization and electrification of construction sites** (electric range and stringing equipment solutions);
- the **reduction of operational impacts**, through the improvement of energy efficiency and the reduction of emissions and noise.

The results of these engagement activities serve as a guiding principle for the Group's strategic and innovation choices. In particular, Tesmec takes these needs and expectations into account, incorporating them into its research and development programmes, which are focused on designing efficient and sustainable technological solutions. Through investment in R&D, the Group strengthens its commitment to developing products and technologies that meet the needs of the market and its stakeholders.

Also during 2025, 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.

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.

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

Tesmec Synergy Days (Suppliers) - On 21 November 2025, at the Grassobbio headquarters, the Group hosted the first edition of **Tesmec Synergy Days**, an event that marked a key moment in the relationship strategy with the main suppliers. The initiative was designed to create a shared growth system with the Group's strategic suppliers, sharing objectives and challenges for a resilient supply chain that is well-prepared for market trends. In today's rapidly evolving infrastructure context, Tesmec is positioning itself as a strategic partner in the development of smart grids, automation systems, and digital solutions that can address the growing challenges of sustainability and connectivity. The Top Management presented the growth plan and future prospects in terms of technological innovation and industrial footprint. In addition to demonstrations in the production area, four thematic panels were organised focusing on the key market drivers: **Cybersecurity, Electrification, Data Analytics & Predictive Maintenance**, and **Quality & Lead Time**. The aim was to collect feedback on how stakeholders and the market in general are responding in these key areas.

Human resources - As part of initiatives aimed at promoting inclusion, diversity and enhancement of human capital, Tesmec actively participates in dialogue on gender equality and female leadership in technology sectors. In this context, during the EXPO Ferroviaria trade fair, at the conference "Stories of Women and Railways", as part of the **Women in Tech** panel organised by Ferpress, the CEO of the Tesmec Group, Caterina Caccia Dominioni, shared the Group's vision: a company where technological innovation and the enhancement of people go hand in hand, with a concrete focus on developing and enhancing women's skills in STEM fields. The growing recognition of the value of female leadership at Tesmec is reflected in internal skills development programmes, the enhancement of roles already held by women, and the development of their functions.

Tesmec publishes a Sustainability Report outlining the results achieved, areas for improvement and future targets. Stakeholders can provide feedback on this report, suggesting changes or additions, through the email address sustainability@tesmec.com or the Group's [website](#).

Institutional investors pay a significant 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 constant 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, Tesmec holds regular meetings to analyse the results of specific engagement initiatives in order to inform 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 Control, Risk and Sustainability Committee and Related-party transactions and the Remuneration and Appointments Committee, established within the Board of Directors 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.

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

ESRS Standards	ESRS 2 SBM-3, ESRS 2 MDR-T
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This paragraph summarises the material impacts, risks and opportunities, as resulting from the identification and assessment process (Double Materiality Assessment – see paragraph [4.1.4.1 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	<u>Impacts</u> Energy consumption for the Group's operations: electricity for lighting and the operation of machinery; natural gas for space heating; fuel for company vehicles, production processes or machinery	Actual Negative Medium-/long-term On own operations
	<u>Risks</u> Transition risks (regulatory, technological and market-related): risks related to the possible introduction of regulations requiring the adoption of more efficient technologies or those with a lower environmental impact. These changes may require investment in	Short-/medium-/long-term On own operations

	upgrading plants, production processes and technological solutions, with potential implications for business continuity.	
	<u>Opportunities</u> Opportunities arising from reducing exposure to the volatility of fossil fuel prices through increased use of energy from renewable sources and the adoption of high-efficiency technologies and infrastructure. This approach can help stabilise energy costs and generate savings in the medium to long term, whilst improving the environmental performance of the Group's operations	Medium-/long-term On own operations
Climate change mitigation	<u>Impacts</u> Direct greenhouse gas emissions (GHG Scope 1: methane / fuels), indirect emissions (GHG Scope 2: electricity) and emissions along the value chain (GHG Scope 3: purchased goods and services, production goods, transport and distribution of purchased and sold goods, use of sold products, etc.). Consequent impacts on climate change	Actual Negative Medium-/long-term On own operations Along the value chain - upstream Along the value chain - downstream
	<u>Risks</u> Transition risks (regulatory, technological and market-related): risks related to the possible introduction of regulations requiring the use of technologies and solutions with a lower environmental impact in the sectors in which the Group operates. These regulations may require an upgrade to the Group's production technologies and machinery, which could affect operating costs, investment in product and process innovation, and our ability to adapt our product range to future market demands regarding energy efficiency and emissions reduction.	Medium-/long-term On own operations Along the value chain - upstream Along the value chain - downstream
	<u>Opportunities</u> Increased demand for the Group's solutions, such as high-efficiency machinery, monitoring systems, digital platforms, stringing-equipment technologies and specialised rail vehicles, could be driven by developments in the markets linked to the energy transition and the digitalisation of infrastructure. In this scenario, supported by public and private investment in projects relating to the construction, modernisation and smart management of networks, commercial opportunities in the segments served by the Group could be expanded.	Medium-/long-term On own operations Along the value chain - downstream
E2 Pollution		
Substances of concern	<u>Impacts</u> Use of substances of concern in production processes / machining and assembly: paraffin distillates and oils, substances that may have a negative impact on the environment (pollution and disposal) and on the health and safety of workers handling them	Actual Negative Short-/medium-/long-term On own operations
Substances of very high concern	<u>Impacts</u> Use of substances of very high concern in production processes / painting and assembly: phenols, alkanes and sodium tetraborates.	Actual Negative Short-/medium-/long-term On own operations
E5 Circular economy		
Resources inflows, including resource use	<u>Impacts</u> Extraction of non-renewable natural resources along the value chain (upstream) for the production of semi-finished products and materials used in manufacturing processes (steel,	Actual Negative Short-/medium-/long-term On own operations

	aluminium, nylon, hydraulic and lubricating oils, etc.), with increased pressure on ecosystems	Along the value chain - upstream	
Waste	<u>Impacts</u> Management of waste generated during production processes (both hazardous and non-hazardous) and its environmental impacts	Actual	
		Negative	
		Short- and medium-term	
		On own operations Along the value chain - downstream	
Social topics			
S1 Own workforce			
Working conditions	<u>Impacts</u> An inclusive working environment that offers stable employment, adequate wages, work-life balance and respect for workers' rights, including social dialogue, freedom of association and collective bargaining for the entire own workforce	Actual	
		Positive	
	• Secure employment	• Adequate wages	Short- and medium-term
			On own operations
	• Social dialogue	• Freedom of association, the existence of works councils and the information, consultation and participation rights of workers	Short- and medium-term
• Collective bargaining, including rate of workers covered by collective agreements	• Work-life balance	Short- and medium-term	
			On own operations
Working conditions	<u>Risks</u> Market and technological risks arising from: a) difficulties in finding professionals with specific skills for the business and qualified personnel to support production (quality and efficiency of the production process); b) the potential high employee turnover, resulting in the loss of key personnel with extensive experience and in-house training	Short- and medium-term	
		On own operations	
	• Collective bargaining, including rate of workers covered by collective agreements	• Work-life balance	Short- and medium-term
	• Social dialogue	• Freedom of association, the existence of works councils and the information, consultation and participation rights of workers	Short- and medium-term
• Secure employment	• Adequate wages	Short- and medium-term	
			On own operations
Working conditions	<u>Impacts</u> Work-related injuries while carrying out business activities	Actual	
		Negative	
	▪ Health and safety	▪ Health and safety	Short-term
			On own operations
	• Secure employment	• Adequate wages	Short- and medium-term
			On own operations
Equal treatment and opportunities for all	<u>Impacts</u> Creating a work environment that respects and values diversity, is non-discriminatory and inclusive, and ensures equal opportunity and fair treatment	Actual	
		Positive	
	• Gender equality and equal pay for work of equal value	• Employment and inclusion of persons with disabilities	Short- and medium-term
			On own operations
	• Diversity	• Diversity	Short- and medium-term
• Gender equality and equal pay for work of equal value	• Employment and inclusion of persons with disabilities	Short- and medium-term	
			On own operations
• Diversity	• Diversity	Short- and medium-term	
			On own operations

	implications for the Group's ability to generate value in the medium to long term.	
Equal treatment and opportunities for all	<u>Impacts</u> Technical and general training, which promotes the personal and professional growth of workers	Actual Positive Short- and medium-term On own operations
Training and skills development	<u>Opportunities</u> Training programmes that strengthen the competitive position in the markets, by a) developing the skills needed to respond to market challenges, technological innovations and regulatory changes, as well as b) providing access to training programmes that are consistent with needs, development plans and career paths	Short-/medium-/long-term On own operations
Other work-related rights	<u>Impacts</u> Potential social impacts, limited to certain high-risk geographical areas where Tesmec operates, relating to the failure to respect fundamental human rights (human rights, use of child labour and/or forced labour)	Potential Negative Short- and medium-term On own operations
- Child labour - Forced labour		
S2 Workers in the value chain		
Working conditions	<u>Impacts</u> Working conditions along the value chain (and in particular the supply chain) can be characterised by situations where human rights and other fundamental rights of workers and individuals are not respected (working hours – inadequate wages – social dialogue – freedom of association – health and safety)	Potential Negative Short- and medium-term Along the value chain - upstream Along the value chain - downstream
- Secure employment - Working time - Adequate wages - Work-life balance - Health and safety	<u>Risks</u> Legal and reputational risks arising from the possibility that, along the value chain, situations may arise where workers' rights are not respected – including working hours, adequate wages, work-life balance, health and safety, social dialogue and freedom of association – with potential repercussions for the Group	Short- and medium-term Along the value chain - upstream Along the value chain - downstream
Equal treatment and opportunities	<u>Impacts</u> Circumstances and working environments in which equal treatment and equal opportunities are not guaranteed (human rights)	Potential Negative Short- and medium-term Along the value chain - upstream Along the value chain - downstream
- Gender equality and equal pay for work of equal value - Training and skills development - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity	<u>Risks</u> Legal and reputational risks arising from the possibility that incidents of discrimination among workers may occur along the value chain due to inadequate measures and protocols for the protection of diversity and equal opportunities, with potential repercussions for the Group	Short- and medium-term Along the value chain - upstream Along the value chain - downstream
Other work-related rights	<u>Impacts</u> Failure to protect workers' rights and ensure decent working conditions, free from all forms of forced and child labour.	Potential Negative Short- and medium-term Along the value chain - upstream Along the value chain - downstream
- Child labour - Forced labour	<u>Risks</u>	Short- and medium-term

	Legal and reputational risks arising from the possibility that, along the value chain, suppliers or customers may be sanctioned for failing to adequately manage workers' rights, particularly with regard to forced or child labour, resulting in the termination of their relationships with the Group	Along the value chain - upstream Along the value chain - downstream
S4 Consumers and end-users		
Impacts related to information for consumers and/or end-users	<u>Impacts</u>	Potential
	Potential impacts on privacy (processing of sensitive IT content) and on IT system security (potential data breach)	Negative
		Short- and medium-term
		On own operations
• Confidentiality		
Personal safety of consumers and/or end-users	<u>Impacts</u>	Potential
	Impacts (accidents and other incidents) on occupational health and safety (end users of Tesmec products and machinery) resulting from the marketing and use of products that do not comply with customer requirements/specifications and the relevant regulations	Negative
		Short- and medium-term
		On own operations
• Health and safety		Along the value chain - downstream
• Security of a person		
	<u>Risks</u>	Short- and medium-term
	Legal, market and reputational risks arising from potential accidents / cases where products are marketed or used in a manner that does not comply with customer requirements / specifications and the relevant regulations, including as a result of inadequate quality controls	On own operations
		Along the value chain - downstream
	<u>Risks</u>	Short- and medium-term
	Technological and market risks related to the potential inability to meet complex and specific customer requirements, leading to difficulties in maintaining quality and safety standards	On own operations
		Along the value chain - downstream
	<u>Opportunities</u>	Medium-/long-term
	The adoption of high quality and safety standards in the Group's products and solutions could strengthen the protection of end users and meet the technical requirements of various markets. In contexts characterised by stringent regulations and high safety standards, this approach could help maintain customer confidence and create more favourable conditions for the Group's competitiveness, particularly given the greater difficulties faced by new operators in meeting similar requirements	On own operations
		Along the value chain - upstream
		Along the value chain - downstream
Governance topics		
G1 Business conduct		
Corruption and bribery	<u>Impacts</u>	Potential
	Potential market and reputational impacts arising from business conduct that fails to meet standards of ethics and integrity	Negative
		Short-/medium-/long-term
		On own operations
• Prevention and detection including training		
• Incidents	<u>Risks</u>	Medium-/long-term
	Regulatory, legal and reputational risks related to anti-competitive behaviour, antitrust and monopolistic practices by the Group	On own operations
	<u>Risks</u>	Medium-/long-term
	Regulatory, legal and reputational risks arising from any or potential cases of corruption, with particular reference to markets with a high incidence of corruption in which Tesmec operates. These risks include regulatory violations, legal impacts and reputational damage, with potential operational difficulties in environments characterised by non-compliant practices. These risks may be exacerbated by a lack of adequate	On own operations

	knowledge of local regulations and by being located in certain geographical areas.	
Corporate culture	<u>Impacts</u>	Actual
	Promoting and consolidating a corporate culture based on ethical business conduct has a positive impact on internal and external stakeholders, strengthening the workforce's sense of belonging and fostering a sense of responsibility in relations with employees, suppliers, customers and other stakeholders	Positive
		Short- and medium-term
		On own operations
Management of relationships with suppliers including payment practices	<u>Impacts</u>	Potential
	Potential impacts deriving from supplier management practices that are not in line with environmental and social criteria, including unstructured processes for the selection, qualification and monitoring of the supply chain, which may affect working conditions and suppliers' management of environmental aspects. Inadequate payment practices can affect suppliers' ability to operate in a sustainable manner, with repercussions for workers' conditions and the continuity of operations within the supply chain	Negative
		Short-/medium-/long-term
		On own operations Along the value chain - upstream
Protection of whistle-blowers	<u>Impacts</u>	Potential
	Potential failure to protect whistle-blowers who use the anonymous whistle-blowing systems provided by the Group	Negative
		Short- and medium-term
		On own operations

In carrying out the double materiality assessment, the Group considered where the impacts, risks and opportunities analysed were concentrated. In particular, for its own upstream value chain, suppliers were considered, while for the downstream value chain, the analysis focused on customers and end users. 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.

The material risks and opportunities were identified as part of the double materiality assessment process described in Section 4.1.4.1. The assessment of financial materiality considered the potential impact on the Group's consolidated financial statements in terms of EBITDA.

Regarding the current financial effects associated with the material risks and opportunities for the Group, an initial qualitative assessment was carried out to identify the potential occurrence, during the reporting period, of specific risk events (or any significant mitigation actions) or opportunities, as well as to determine their potential impact on the financial statement items. The analysis did not reveal any material financial effects attributable to the 2025 financial year.

In line with ESRS 1 requirements (Appendix C – phase-in) and following recent regulatory updates, the Group will further refine the methodologies used to quantify the associated effects in future reporting periods.

Changes to the material impacts, risks and opportunities

For the purposes of the 2025 Sustainability Reporting, the sub-topics *G1 Business conduct: corporate culture* and *E2 Pollution: substances of very high concern* were identified as material and consequently included.

The updating of the risk and opportunity assessment process (including the identification of quantitative thresholds concerning the potential financial impact and likelihood of occurrence) has enabled a more precise identification of the risks and opportunities related to material topics (IRO).

Effects of the material IROs on the business model and strategy

The impacts, risks and opportunities (IRO) identified through the double materiality assessment influence the business model, strategy and decision-making processes of the Tesmec Group. The material ESG topics have a particular impact on the way in which the Group manages its production processes, develops the technologies it offers to the market, and manages its relationships with suppliers, employees and customers.

Environmental topics

The IROs related to climate change, energy, pollution and the use of resources mainly impact Tesmec's operating activities and technological choices. The Group's activities involve energy consumption and greenhouse gas emissions associated with both production processes and the value chain. These impacts make it necessary to monitor and manage energy consumption, emissions and the use of substances and materials in production processes.

In terms of risks, the Group is exposed to transition risks related to the evolution of the regulatory and technological context, which could require the updating of plants, production processes and technological solutions over time, with potential effects on operating costs and on the investments in innovation.

At the same time, the energy transition and investment programmes in energy and digital infrastructure represent an important strategic opportunity for the Group. The growing demand for solutions for the development and monitoring of electricity networks, for the digitalisation of infrastructure and for energy efficiency could lead to increased demand for the technologies developed by the Group, including specialised machinery, monitoring systems and smart grid solutions.

Social topics

The IROs relating to the own workforce and to workers along the value chain affect the operational functioning of the Group and the continuity of production activities. The Group recognises that the availability of specialised technical skills is a key factor in the development of its business. Any difficulties in finding qualified personnel or high levels of turnover could affect the ability to maintain high standards of quality and efficiency in production processes.

At the same time, promoting safe, inclusive and career-oriented working conditions is a key factor in the Group's ability to attract and qualified personnel and to foster technological innovation.

With reference to the value chain, the Group recognises that any violations of workers' rights or inadequate working conditions along the supply chain could generate reputational and operational risks.

Other material topics concern the safety of the products and technological solutions developed by the Group. Any non-compliance with safety standards or technical specifications required by customers could entail legal, reputational and market risks. On the contrary, the adoption of high-quality and safety standards represents a competitive factor that can strengthen customer confidence and improve the Group's positioning in the reference markets.

Governance topics

The IROs related to business conduct, the prevention of corruption and the management of relations with suppliers affect the way in which the Group operates in international markets. In particular, operations in geographical contexts characterised by different levels of regulatory and reputational risk expose the Group to potential legal and reputational risks related to corruption, anti-competitive practices or failure to comply with local regulations. At the same time, the promotion of a corporate culture based on integrity, transparency and responsibility is important for consolidating relations with internal and external stakeholders.

Integration of IROs in the strategy and business model

The identified impacts, risks and opportunities are progressively integrated into the Group's decision-making processes and industrial development strategies. In particular, these factors affect:

- the development of technological solutions oriented towards the energy transition and the digitalisation of infrastructures;
- decisions relating to productive investments and technological innovation;

- management of the supply chain and of relationships with suppliers;
- human resource management and development policies;
- the strengthening of governance and internal control systems.

This approach enables the Group to manage the potential negative impacts associated with its activities while seizing the opportunities arising from developments in the markets and the regulatory framework relating to sustainability.

Objectives and material topics

The Tescmec Group, in relation to the identified material topics, defined specific sustainability objectives. Further information on the objectives and the actions planned to achieve them can be found in the chapters of this Sustainability Reporting dedicated to each environmental, social and governance topic.

4.1.4 Impact, risk and opportunity management

4.1.4.1 Materiality Assessment

ESRS Standards	ESRS 2 IRO-1
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The process for identifying and assessing material impacts, risks and opportunities

The paragraph illustrates the process for identifying and assessing the material topics (material impacts, risks and opportunities - IRO Impact Risk Opportunities) and the information that is presented in the Sustainability Reporting as a result of this process (Double Materiality Assessment). The purpose is to provide all stakeholders with the information they need to understand the methods for identifying the **impacts, risks and opportunities**, and assessing their **materiality**.

The material topics according to the ESRS

The European Sustainability Reporting Standards - ESRS require that the topics be 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 economic and financial).

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 phases of the process for identifying and assessing material impacts, risks and opportunities are: understanding the context; identifying actual and potential IROs; and assessing and determining the 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 of identifying actual and potential IROs was carried out according to a methodology of preliminary analysis of external sources, internal sources, also taking into account dialogue and consultation with stakeholders.

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. 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

UNIFE - The European Rail Supply Industry priorities for 2024-2029
Market Trends General Presentation: Trenchers & surface miners
IEA – World Energy Outlook 2024
World Economic Forum - The global risks report 2025
World Economic Forum – Global Cybersecurity Outlook 2025
World Economic Forum – Diversity, equity and inclusion lighthouses 2025
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 wbcsc - Enterprise Risk Management
UNDRR – Global Assessment Report on Disaster Risk Reduction
Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources
Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructures
Regulation (EU) 2022/1269 on restrictive measures concerning the Russia-Ukraine situation
ISSB International Sustainability Standards Board: SASB
Benchmarking of material topics - policies - actions

Internal sources

2024 Annual Financial Report
Code of Ethics
Organisational and management model Italian Legislative Decree no. 231/2011
Supplier Code of Ethics
Supplier qualification and evaluation
Whistle-blowing policy
Human rights policy
Sustainability Policy
Integrated quality, environment and occupational health and safety policy

In the context of recurring relationships with stakeholders, some **specific engagement initiatives** were carried out to analyse and assess the materiality of impacts, risks and opportunities. Specifically, a survey assessing the topics identified in the preliminary analysis of the sources was sent to a selection of Tesmec's employees, suppliers and investors, with a response rate of 80%, 62.5% and 61.5% 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 impacts, risks and opportunities were assessed in summary as follows:

Phases	Process summary
Qualitative analysis	Identification and qualitative analysis of potential Impacts, Risks and Opportunities (IROs) associated with the Tesmec Group's activities, subsequently mapped to ESG topics, sub-topics and sub-sub-topics, in order to enable the subsequent assessment of their impact and financial materiality.

Impact materiality	The impact materiality analysis focused on the current and potential impacts that the Tesmec Group's activities can have on people, the environment and society, both directly and through the value chain. The impacts have been classified according to: ▪ nature (actual or potential); ▪ character (positive or negative); ▪ time horizon (short, medium or long term); ▪ origin (distinguishing between own operations and the value chain). The materiality of the impacts was assessed on the basis of severity and likelihood of occurrence, taking into account the scale, scope and irremediable character of the negative impacts. A score from 1 to 5 was assigned to each impact; on the basis of the defined thresholds, the impacts considered material were identified.
Financial materiality	The financial materiality assessment was developed with the aim of identifying ESG risks and opportunities that could potentially have a significant impact on the Tesmec Group's economic and financial performance. A scoring system was applied to each risk and opportunity, taking into account the likelihood of occurrence and the potential magnitude, as well as the classification of the origin (own operations or the value chain, upstream or downstream) and the time horizon (short, medium or long term). The assessment was carried out considering the risk mitigation strategies and controls in order to represent the exposure net of the mitigation actions and enable a better assessment of the potential financial implications. The magnitude of the financial impact was assessed with reference to an economic indicator of the Group (Gross Operating Margin / EBITDA), used as a reference KPI for defining the materiality threshold. To this end, a rating scale from 1 to 5 was adopted to classify the potential extent of the impact of risks and opportunities on economic and financial performance.

The Materiality Assessment process developed during the 2025 Sustainability Reporting involved various business functions, such as Senior HR Manager, QHSE Manager, Purchasing Manager, Internal Audit & Governance, Finance, each contributing in a different way to the assessment of impacts, risks and opportunities. The process of identifying and assessing the material topics also involved the risk management business functions. 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 with the 2024 Sustainability Reporting, in which the assessment of financial materiality was based primarily on qualitative thresholds, the analysis developed for the 2025 Sustainability Reporting was carried out using a methodological approach, as outlined in the table above, based on the definition of quantitative thresholds, which enabled a more detailed analysis of risks and opportunities.

The Group will update the analysis on a regular basis to reflect the 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.

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 Officers, who are responsible for coordinating risk identification activities and monitoring their correct management. The Board of Directors of Tesmec S.p.A. 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 organised 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 Officers	Operationally, the Chief Executive Officers, 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.

Tesmec has 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 updating and identification of possible new risks is carried out on an annual basis, with particular attention to 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.

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*, 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 Tesmec France, 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 2025, in addition to monitoring and managing identified risks, the organisation launched an in-depth risk analysis focusing on the security of information systems, networks and data in compliance with the NIS2 Directive. The analysed areas covered information security, privacy policy and

intellectual property, the effectiveness of the management system (business processes and procedures) supported by the applicable ISO/IEC 27001 and IEC62443-4-2 systems and assets/infrastructure. Physical security, business continuity, injury management and security policies were assessed. Critical assets (infrastructure, data, processes), threats and vulnerabilities were identified, and mitigation measures and periodic risk reviews were implemented. The risk analysis covered both IT environments and operational technologies (OT).

4.1.4.2 Material topics and ESRS reporting

ESRS Standards	ESRS 2 IRO-2
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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 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.

4.1.4.3 Minimum disclosure requirements

ESRS Standards	ESRS 2 MDR-P, ESRS 2 MDR-A, ESRS 2 MDR-M, ESRS 2 MDR-T
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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. The contents of the various policies and management systems are covered and discussed in greater detail in the reporting sections and paragraphs covering the relevant topics (topical ESRS).

Policies/Management systems	Consolidation area	Topical ESRS
Sustainability Policy	Tesmec Group	E1 Climate change E2 Pollution E5 Circular economy S1 Own workforce G1 Business conduct
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
Remuneration Policy	Tesmec Group	ESRS 2 General disclosures E1 Climate change
Environment, Health and Safety Policies and environmental management system	Tesmec S.p.A. Tesmec Rail S.r.l. Tesmec Automation S.r.l. Tesmec USA Inc.	E1 Climate change E2 Pollution E5 Circular economy S1 Own workforce

	Marais Laying New Zealand Tescmec Australia Pty Ltd	
Human rights policy	Tescmec Group	S1 Own workforce S2 Workers in the value chain
UNI/PdR 125:2022 Guidelines on the gender equality management system	Tescmec Rail S.r.l. Tescmec Automation S.r.l.	S1 Own workforce
Supplier Code of Ethics	Tescmec Group	S2 Workers in the value chain G1 Business conduct
Supplier qualification and evaluation	Tescmec S.p.A. Tescmec Rail S.r.l. Tescmec Automation S.r.l.	G1 Business conduct
Charity Policy	Tescmec Group	G1 Business conduct
ISO 9001:2015 Quality management systems	Tescmec S.p.A. Tescmec Rail S.r.l. Tescmec Automation S.r.l. Tescmec USA Inc. Marais Laying New Zealand	S4 Consumers and end-users
ISO 45001:2018 Occupational health and safety management system	Tescmec S.p.A. Tescmec Rail S.r.l. Tescmec Automation S.r.l. Marais Laying New Zealand	S1 Own workforce
ISO 14001:2015 Environmental management systems	Tescmec S.p.A. Tescmec Rail S.r.l. Tescmec Automation S.r.l. Marais Laying New Zealand	E1 Climate change E2 Pollution
ISO 37001:2016 Anti-corruption management system	Tescmec Rail S.r.l. Tescmec Automation S.r.l.	G1 Business conduct
ISO 27001:2022 Information security management systems	Tescmec Rail S.r.l. Tescmec Automation S.r.l.	G1 Business conduct
EN 15085-2 CL1 Rail applications - Welding of railway vehicles and related components - Manufacturer's requirements	Tescmec Rail S.r.l.	S4 Consumers and end-users
ECM Entity in Charge of Maintenance	Tescmec Rail S.r.l.	S1 Own workforce S4 Consumers and end-users
ISO 14067:2018 Carbon footprint of products	Tescmec S.p.A. Tescmec Automation S.r.l.	E1 Climate change E2 Pollution
AAR/M-1003 Quality Assurance for materials, products and services	Tescmec USA Inc.	E5 Circular economy
OSHCON Occupational Safety and Health Consultation Program	Tescmec USA Inc.	S1 Own workforce
IEC 62443-4-1: 2018 ML2 Safety for industrial automation and control systems	Tescmec Automation S.r.l.	S4 Consumers and end-users

Sustainability Policy

The Sustainability Policy represents a set of principles that guide the Tescmec 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. This document demonstrates the Group's commitment to sustainable development. It sets out strategic guidelines and defines objectives towards which all stakeholders, both internal and external, are encouraged to contribute.

Code of Ethics

The Code of Ethics sets out the values, principles, rights, duties and responsibilities that the companies of the Tescmec Group uphold and undertake to respect in their dealings with stakeholders. The Code is designed to prevent

unlawful conduct and/or behaviour that fails to comply with ethical principles, as well as to promote the standards of integrity and fairness adopted by Tesmec, with the aim of improving the Group's overall performance and avoiding any potential negative consequences arising from non-compliance.

The Code of Ethics is assigned the following functions:

- **preventive:** by formalising the ethical principles of reference and the fundamental rules of conduct with which all stakeholders are required to comply, with a particular focus on preventing unlawful conduct;
- **cognitive:** by setting out general principles and specific rules of conduct, the Code enables the identification of unethical conduct and provides guidance on the proper performance of the functions and powers assigned to each individual;
- **legitimising:** the Code clarifies the Group's duties and responsibilities towards stakeholders, offering them explicit recognition of their expectations;
- **incentive:** the Code promotes the dissemination of a strong ethical culture and helps to strengthen the Group's reputation, consolidating the relationship of trust with stakeholders.

Organisation, Management and Control Model Italian Legislative Decree no. 231/2001

The Organisation, Management and Control Model (Model 231), drawn up in accordance with Italian Legislative Decree 231/2001, is a fundamental element of the company's corporate culture, designed to prevent the commission of offences in the course of business activities. By introducing rules, procedures and control mechanisms, the Model aims to ensure that all operations are carried out in accordance with the law and in line with the principles of transparency and accountability. The Model was last revised in May 2024.

Article 6, Paragraph 1, of Italian Legislative Decree 231/2001 provides for the mandatory establishment of a Supervisory Body (SB), whose purpose is to monitor the correct application of the Model and compliance with it by the parties concerned, as well as a disciplinary system to be followed in the event of a breach of the Model.

Whistle-blowing Policy

In accordance with Italian Legislative Decree 24/2023, which implements Directive (EU) 2019/1937 on the protection of persons reporting violations of Union law and national regulations, the Tesmec Group has adopted a specific whistle-blowing policy and established a dedicated internal whistle-blowing channel. This channel ensures that the identity of the whistle-blower, the person reported and any third parties involved remains confidential, and that the content of the report and the relevant documentation are protected.

The Group appointed a Supervisory Body (SB), an autonomous and independent body responsible for receiving, analysing and handling reports, in accordance with the provisions of Italian Legislative Decree no. 24 of 10 March 2023.

Anti-Corruption Policy

The Anti-Corruption Policy of the Tesmec Group defines and makes explicit the Company's commitment to conducting its business in full compliance with the law, guided by the principles of integrity, transparency and fairness, in accordance with the Code of Ethics and the regulations in force on the prevention of corruption.

Related-party transactions

The Tesmec Group's procedure on "Related-Party Transactions" defines the rules, operating procedures and principles designed to ensure the transparency and the substantial and procedural correctness of such transactions carried out by the Group, in accordance with the provisions of the Consob Regulation adopted by Resolution No. 17221 of 12 March 2010 as amended.

Remuneration Policy

The Board of Directors defines and reviews the remuneration policy on proposal of the Remuneration and Appointments Committee **on an annual basis**.

The policy clearly and transparently defines the criteria, logics and objectives used to determine management remuneration, ensuring that remuneration is fair, merit-based and consistent with the Group's corporate strategy, performance and long-term sustainability.

Environment, Health and Safety Policies and environmental management system

Some activities of the Tesmec Group may pose risks to the environment and to people. For this reason, the companies Tesmec SpA, Tesmec Rail Srl, Tesmec Automation Srl, Marais Laying New Zealand Ltd and Tesmec Australia Pty Ltd implemented Integrated Management Systems related to Occupational Health and Safety and Environmental Protection. Similarly, the American company Tesmec USA Inc. has also implemented policies relating to these topics.

This demonstrates the Group's commitment to ensuring that every employee works in the best possible conditions, recognising the importance of occupational health and safety topics and the potential environmental impacts associated with its activities, as well as achieving high standards of quality in the products and services it offers on the market.

Human rights policy

Respect for Human Rights is fundamental to the Group's operating activities. Tesmec's Human Rights Policy establishes the key principles, rules of conduct and commitments regarding human rights that Tesmec recognises and upholds, and which all recipients are required to comply with, with the aim of preventing, managing and, where possible, mitigating the effects of inadequate management practices.

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

Within the Tesmec Group, the Italian companies Tesmec Rail S.r.l. and Tesmec Automation S.r.l. have achieved UNI/PdR 125:2022 certification. Introduced as part of the National Recovery and Resilience Plan (NRRP), this certification sets out guidelines for the implementation of a gender equality management system, providing a framework designed to promote inclusive and equitable policies and practices within organisations.

Supplier Code of Ethics

The Group is committed to ensuring the responsible and ethical management of the supply chain, making sure it operates transparently and in line with Tesmec's values and standards, particularly with regard to topics related to labour and human rights, environmental protection and respect for the environment, and business ethics and integrity. In the Supplier Code of Ethics, the Tesmec Group has defined the ethical, social, environmental and compliance rules that suppliers must comply with in the carrying-out of their activities.

Supplier qualification and evaluation

The "supplier qualification and evaluation" process is currently applied by Tesmec S.p.A., Tesmec Automation S.r.l. and Tesmec Rail S.r.l. to describe the methods and responsibilities for the qualification of new suppliers and for the annual evaluation 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.

Charity Policy

Each year, the Tesmec Group promotes and supports projects and activities capable of generating a positive and lasting impact through charitable donations and corporate volunteering initiatives, thereby making a tangible contribution to improving the quality of life in the communities it serves and strengthening relationships and partnerships among local stakeholders.

In compliance with these purposes, this policy was adopted to structure and regulate the Group's approach to supporting third sector organisations, by defining:

- the topical areas of intervention;
- eligible subjects;
- the requirements for projects eligible for funding;
- the application procedures;
- the selection criteria and procedures.

Business management systems adopted

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	UNI/PdR 125:2022
Tesmec S.p.A.	■	■	■					■				
Tesmec Rail S.r.l.	■	■	■	■	■	■	■					■
Tesmec Automation S.r.l.	■	■	■	■	■			■			■	■
Tesmec USA Inc.	■								■	■		
Marais Laying New Zealand	■	■	■									

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 System that define minimum standards of good practice for the protection of workers. It 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	System for managing the environmental impacts of activities and identifying and implementing consistent, effective and sustainable improvement measures.
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 any corruption
ISO 27001:2022	A management system that specifies the requirements for establishing, implementing, maintaining and improving an information security management system in the context of the organisation.
UNI/PdR 125:2022	National best-practice guideline that sets out the criteria and measurable indicators (KPIs) for establishing a gender equality management system in the company, aimed at reducing the wage gaps and promoting an inclusive and merit-based culture.
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 CL1 refers to organisations that do not weld but design, purchase and assemble or resell railway vehicles and parts of railway vehicles.
ECM	Management system adopted 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.
OSHCN	The Occupational Safety and Health Consultation Program (OSHCN) is an OSHA-sponsored programme designed to help companies identify and reduce workplace hazards. Through on-site assessments and targeted recommendations, OSHCN 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.

4.2 Environmental topics

4.2.1 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.

This Sustainability reporting takes into account the most recent regulatory developments: Commission Delegated Regulation (EU) 2026/73 of 4 July 2025 simplifies the content and presentation of information related to environmentally sustainable activities, as well as certain technical screening criteria aimed at determining compliance with the 'Do No Significant Harm' (DNSH) principle with respect to the environmental objectives.

In light of these regulatory updates, and in order to ensure consistency with the new regulatory framework, the tables reporting Turnover, CapEx and OpEx have been restated compared to the previous financial year.

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, the commitment translates into progressively more digitalized and interconnected jobsites, with particular attention to safety and logistics optimization, and through the expansion of the "Full Electric – zero emission" range; through the expansion of the "Full Electric - zero emission" range; 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 CO₂ 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 summarized.

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	19.40%	21.20%	1.22%
					Eligible, but not aligned	33.47%	53.13%	58.56%
					Not eligible	-	-	-
Railway	3	Manufacturing	3.3	Manufacture of low carbon technologies for transport	Aligned	7.09%	10.42%	-
					Eligible, but not aligned	7.69%	5.38%	32.14%
					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	10.15%	8.05%	6.05%
					Eligible, but not aligned	0.05%	1.79%	1.02%
					Not eligible	-	-	-
All businesses	5	Services	5.1	Repair, refurbishment and remanufacturing	Aligned	3.00%	0.03%	1.01%
					Eligible, but not aligned	-	-	-
					Not eligible	12.89%	-	-
All businesses	5	Services	5.2	Sale of spare parts	Aligned	3.12%	-	-
					Eligible, but not aligned	-	-	-
					Not eligible	3.14%	-	-

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
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.	Delegated Regulation (EU) no. 2021/2139 04 June 2021
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
	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).	Delegated Regulation (EU) no. 2023/2486 27 June 2023
All businesses	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 CO₂ 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.

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:

- involvement of Tesmec's Business Unit managers and technical analysis of eligible activities against the specific DNSH criteria;
- process analysis for the management of activities/Business Units;
- 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]
<i>Alignment with DNSH criteria</i>
<i>Delegated Regulation EU no. 2021/2139 - Annex 1 - Climate Change Mitigation</i>

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

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

Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems.	not located in sensitive areas for the purpose of protecting biodiversity and potential impacts.
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.	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]	
<i>Alignment with DNSH criteria</i>	
<i>Delegated Regulation EU no. 2021/2139 - Annex 1 - Climate Change Mitigation</i>	
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: <i>as for Business Unit Trencher</i>	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.

Objective 4 - Circular economy

Assets	
1.2 Manufacture of electrical and electronic equipment [Energy/Automation]	
Alignment with DNSH criteria <i>Delegated Regulation EU no. 2023/2486 - Annex 2 - Transition to a circular economy</i>	
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.	The analysis did not reveal any physical climate risks that could significantly affect economic activity.
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 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.	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.
Areas of assessment: Good water status and ecological potential; Management Plan for Water Use and Protection.	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.

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 (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.

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.

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.	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 (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.
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 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]	
<i>Alignment with DNSH criteria</i> <i>Delegated Regulation EU no. 2023/2486 - Annex 2 - Transition to a circular economy</i>	
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 - Identification of physical climate risks; - if the activity is considered to be at risk: climate risk and vulnerability assessment; - 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: - substances pursuant to Regulation (EU) no. 2019/1021); - mercury, mercury compounds, mercury mixtures and products with added mercury (Article 2 Regulation (EU) no. 2017/852); - ozone-depleting substances (Regulation (EU) no. 2009/1005); - substances pursuant to Annex II Directive (EU) no. 2011/65 (electrical and electronic equipment); - substances pursuant to Annex XVII of Regulation (EC) no. 2006/1907; - 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); - 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 (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.

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), 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, and the ISO 37001 Standard on anti-bribery management, which the Group refers to in order to strengthen its anti-bribery measures.

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 2025 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 2025

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-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (activity breakdown)

Financial year	2025				Environmental objective of Taxonomy aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy aligned in Taxonomy eligible (14)
Economic Activities	Code(s) (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible Turnover) (3)	Taxonomy aligned KPI (monetary value of Turnover) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned Turnover) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	(E where applicable)	(T where applicable)	%
		%	€	%	%								
Manufacture of low carbon technologies for transport	CCM 3.3	14.78%	18,261,713.23	7.09%	7.09%						E		47.97%
Manufacture of other low carbon technologies	CCM 3.6	52.87%	49,975,418.55	19.40%	19.40%						E		36.69%
Manufacture of electrical and electronic equipment	CE 1.2	10.19%	26,135,249.28	10.15%				10.20%					99.61%
Repair, refurbishment and remanufacturing	CE 5.1	3.00%	7,738,153.61	3.00%				3.00%					100.00%
Sale of spare parts	CE 5.2	3.12%	8,040,657.52	3.12%				3.10%					100.00%
Sum of alignment per objective					26.49%	0.00%	0.00%	16.30%	0.00%	0.00%			
Total KPI (Turnover)		83.96%	110,151,192.19	42.76%	26.49%	0.00%	0.00%	16.30%	0.00%	0.00%	26.49%		50.93%

- 1 Non-financial undertakings shall duplicate this template to disclose separately the turnover, the CapEx and the OpEx KPIs, clearly indicating in the title of each table which KPI the table refers to. Where non-financial undertakings disclose zero Taxonomy-eligible KPI (turnover, CapEx, or OpEx, respectively), in Template 1, column (D), they may omit disclosing Template 2 for that KPI.
- 2 Columns (D) to (P) pertain to financial year 2025.
- 3 For activity rows, column (D): 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	PPC
Biodiversity and ecosystems	BIO

For example, the Activity "Afforestation" has the Code: CCM 1.1. Where activities are eligible to make a substantial contribution to more than one objective, the codes for all objectives should be indicated.
- 4 For activity rows, column (E) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-eligible economic activity regardless of whether or not that activity is Taxonomy-aligned, or only a portion of that activity is Taxonomy-aligned.
- 5 For activity rows, column (G) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or with the Taxonomy-aligned portion of a Taxonomy-eligible activity.
- 6 For activity rows, columns (H) to (M) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or its portion, that contributes substantially to the respective environmental objective for which the economic activity is Taxonomy-eligible. Columns corresponding to the environmental objectives for which the economic activity is not Taxonomy-eligible should be left empty. Where a Taxonomy-aligned economic activity, or its portion, contributes substantially to several environmental objectives, the columns under those environmental objectives shall contain the corresponding proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with that activity or its portion. In other words, where an activity contributes substantially to more than one environmental objective at the same time, its substantial contribution should be indicated under multiple environmental objectives in the row pertaining to that economic activity.
- 7 Column (P) shall contain the ratio of the figure in column (G) divided by the figure in column (E) in the respective rows.
- 8 Row "Sum of alignment per objective": columns (H) to (M) shall contain the sum of figures for all reported activities under the respective columns. The sum of columns (H) to (M) on this row might possibly result in more than 100%.
- 9 Row "Total KPI": columns (D) to (O) shall contain the sum of figures for all reported activities under the respective columns. For columns (D) to (O), when performing the summation in the row "Total KPI", non-financial undertakings shall not double count the contributions to multiple environmental objectives and include only the environmental objective they deem the most relevant. Figure in column (G) in this row, i.e. Total Taxonomy-aligned KPI, shall equal the sum of figures reported in columns (H) to (M) in this row. The figures reported in the row "Total KPI" in columns (E) to (O) in Template 2 shall equal to the figures reported in corresponding columns (E) to (O) in the Template 1. In order to avoid double counting, financial undertakings will take into account the Total KPI figure as reported in Template 1 when computing their own KPIs.

Proportion of CapEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (activity breakdown)

Financial year					2025					Environmental objective of Taxonomy aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy aligned in Taxonomy eligible (14)
Economic Activities					Code(s) (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible CapEx) (3)	Taxonomy aligned KPI (monetary value of CapEx) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned CapEx) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	(E where applicable)	(T where applicable)	%	
Manufacture of low carbon technologies for transport					CCM 3.3	15.80%	3,640,434.74	10.42%	10.42%						E		65.95%	
Manufacture of other low carbon technologies					CCM 3.6	74.33%	7,404,173.05	21.20%	21.20%						E		28.52%	
Manufacture of electrical and electronic equipment					CE 1.2	9.84%	2,813,455.37	8.05%				8.05%					81.81%	
Repair, refurbishment and remanufacturing					CE 5.1	0.03%	11,440.21	0.03%				0.03%					100.00%	
Sum of alignment per objective									31.62%	0.00%	0.00%	8.08%	0.00%	0.00%				
Total KPI (Capex)						100.00%	13,869,503.37	39.70%	31.62%	0.00%	0.00%	8.08%	0.00%	0.00%	31.62%		39.70%	

1 Non-financial undertakings shall duplicate this template to disclose separately the turnover, the CapEx and the OpEx KPIs, clearly indicating in the title of each table which KPI the table refers to. Where non-financial undertakings disclose zero Taxonomy-eligible KPI (turnover, CapEx, or OpEx, respectively), in Template 1, column (D), they may omit disclosing Template 2 for that KPI.

2 Columns (D) to (P) pertain to financial year 2025.

3 For activity rows, column (D): 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	PPC
Biodiversity and ecosystems	BIO

For example, the Activity "Afforestation" has the Code: CCM 1.1. Where activities are eligible to make a substantial contribution to more than one objective, the codes for all objectives should be indicated.

4 For activity rows, column (E) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-eligible economic activity regardless of whether or not that activity is Taxonomy-aligned, or only a portion of that activity is Taxonomy-aligned.

5 For activity rows, column (G) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or with the Taxonomy-aligned portion of a Taxonomy-eligible activity.

6 For activity rows, columns (H) to (M) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or its portion, that contributes substantially to the respective environmental objective for which the economic activity is Taxonomy-eligible. Columns corresponding to the environmental objectives for which the economic activity is not Taxonomy-eligible should be left empty. Where a Taxonomy-aligned economic activity, or its portion, contributes substantially to several environmental objectives, the columns under those environmental objectives shall contain the corresponding proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with that activity or its portion. In other words, where an activity contributes substantially to more than one environmental objective at the same time, its substantial contribution should be indicated under multiple environmental objectives in the row pertaining to that economic activity.

7 Column (P) shall contain the ratio of the figure in column (G) divided by the figure in column (E) in the respective rows.

8 Row "Sum of alignment per objective": columns (H) to (M) shall contain the sum of figures for all reported activities under the respective columns. The sum of columns (H) to (M) on this row might possibly result in more than 100%.

9 Row "Total KPI": columns (D) to (O) shall contain the sum of figures for all reported activities under the respective columns. For columns (D) to (O), when performing the summation in the row "Total KPI", non-financial undertakings shall not double count the contributions to multiple environmental objectives and include only the environmental objective they deem the most relevant. Figure in column (G) in this row, i.e. Total Taxonomy-aligned KPI, shall equal the sum of figures reported in columns (H) to (M) in this row. The figures reported in the row "Total KPI" in columns (E) to (O) in Template 2 shall equal to the figures reported in corresponding columns (E) to (O) in the Template 1. In order to avoid double counting, financial undertakings will take into account the Total KPI figure as reported in Template 1 when computing their own KPIs.

Proportion of OpEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (activity breakdown)

Financial year	2025				Environmental objective of Taxonomy aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy aligned in Taxonomy eligible (14)
Economic Activities	Code(s) (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible OpEx) (3)	Taxonomy aligned KPI (monetary value of OpEx) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned OpEx) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	(E where applicable)	(T where applicable)	%
		%	€	%									
Manufacture of low carbon technologies for transport	CCM 3.3	32.14%	-	0.00%	0.00%						E		0.00%
Manufacture of other low carbon technologies	CCM 3.6	59.78%	111,488.06	1.22%	1.22%						E		2.04%
Manufacture of electrical and electronic equipment	CE 1.2	7.07%	553,228.89	6.05%				6.05%					85.57%
Repair, refurbishment and remanufacturing	CE 5.1	1.01%	92,642.20	1.01%				1.01%					100.00%
Sum of alignment per objective					1.22%	0.00%	0.00%	7.06%	0.00%	0.00%			
Total KPI (Opex)		100.00%	757,359.15	8.28%	1.22%	0.00%	0.00%	7.06%	0.00%	0.00%	1.22%		8.28%

- 1 Non-financial undertakings shall duplicate this template to disclose separately the turnover, the CapEx and the OpEx KPIs, clearly indicating in the title of each table which KPI the table refers to. Where non-financial undertakings disclose zero Taxonomy-eligible KPI (turnover, CapEx, or OpEx, respectively), in Template 1, column (D), they may omit disclosing Template 2 for that KPI.
- 2 Columns (D) to (P) pertain to financial year 2025.
- 3 For activity rows, column (D): 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	PPC
Biodiversity and ecosystems	BIO

For example, the Activity "Afforestation" has the Code: CCM 1.1. Where activities are eligible to make a substantial contribution to more than one objective, the codes for all objectives should be indicated.
- 4 For activity rows, column (G) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or with the Taxonomy-aligned portion of a Taxonomy-eligible activity.
- 5 Per le righe relative alle attività, colonna (G) deve contenere la quota del denominatore del rispettivo KPI, come riportato nel Template 1, associata a un'attività economica allineata alla Tassonomia, o alla parte di essa che lo è.
- 6 For activity rows, columns (H) to (M) shall contain the proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with a Taxonomy-aligned economic activity, or its portion, that contributes substantially to the respective environmental objective for which the economic activity is Taxonomy-eligible. Columns corresponding to the environmental objectives for which the economic activity is not Taxonomy-eligible should be left empty. Where a Taxonomy-aligned economic activity, or its portion, contributes substantially to several environmental objectives, the columns under those environmental objectives shall contain the corresponding proportion of the denominator of the respective KPI, as reported in Template 1, that is associated with that activity or its portion. In other words, where an activity contributes substantially to more than one environmental objective at the same time, its substantial contribution should be indicated under multiple environmental objectives in the row pertaining to that economic activity.
- 7 Column (P) shall contain the ratio of the figure in column (G) divided by the figure in column (E) in the respective rows.
- 8 Row "Sum of alignment per objective": columns (H) to (M) shall contain the sum of figures for all reported activities under the respective columns. The sum of columns (H) to (M) on this row might possibly result in more than 100%.
- 9 Row "Total KPI": columns (D) to (O) shall contain the sum of figures for all reported activities under the respective columns. For columns (D) to (O), when performing the summation in the row "Total KPI", non-financial undertakings shall not double count the contributions to multiple environmental objectives and include only the environmental objective they deem the most relevant. Figure in column (G) in this row, i.e. Total Taxonomy-aligned KPI, shall equal the sum of figures reported in columns (H) to (M) in this row. The figures reported in the row "Total KPI" in columns (E) to (O) in Template 2 shall equal to the figures reported in corresponding columns (E) to (O) in the Template 1. In order to avoid double counting, financial undertakings will take into account the Total KPI figure as reported in Template 1 when computing their own KPIs.

Proportion of turnover, Capex, Opex from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (summary KPIs)

Financial year 2025					Breakdown of Environmental objective of Taxonomy aligned activities						Proportion of enabling activities	Proportion of transitional activities	Not assessed activities considered non-material	Taxonomy-aligned activities in previous financial year (N-1)	Proportion of Taxonomy-aligned activities in previous financial year (N-1)
KPI	Total	Proportion of Taxonomy eligible activities	Taxonomy aligned activities	Proportion of Taxonomy aligned activities	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	%	%	%	€ mln	%
		%	€	%	%										
Turnover	257,606,488.89 €	83.96%	110,151,192.19	42.76%	26.49%	0.00%	0.00%	16.30%	0.00%	0.00%	26.49%	0.00%	16.04%	90.08	35.65%
CapEx	34,933,225.00 €	100.00%	13,869,503.37	39.70%	31.62%	0.00%	0.00%	8.08%	0.00%	0.00%	31.62%	0.00%	0.00%	14.68	44.63%
OpEx	9,140,010.00 €	100.00%	757,359.15	8.28%	1.22%	0.00%	0.00%	7.06%	0.00%	0.00%	1.22%	0.00%	0.00%	1.19	14.35%

It should be noted that the 2024 CapEx included a 0.07% share related to the economic activity '4.1 Electricity generation using solar photovoltaic technology', which is no longer present in 2025.

4.2.2 Climate change

Topic	Sub-topic
E1 Climate change	Energy Climate change mitigation

4.2.2.1 Governance

Integration of sustainability-related performance in incentive schemes

ESRS Standards	ESRS 2 GOV-3
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The **Remuneration Policy** of the Tesmec Group provides for some figures, such as the Chief Executive Officers, 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 for the 2025 financial year.

As stated in the General Disclosure, in paragraph [4.1.2.3 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 Officers, the General Manager and the Executives with Strategic Responsibilities, is also related to climate objectives, with specific reference to the proportion of electricity consumed that comes from renewable sources. 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.

4.2.2.2 Strategy

Transition plan for climate change mitigation

ESRS Standards	ESRS E1 E1-1
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The Tesmec Group is considering its commitment to developing and formalising a **transition plan** aimed at **mitigating climate change**. The aim of the transition plan is to enable business strategies, and therefore, financial planning, to be aligned with a low-carbon production model. To this end, an analysis was carried out, based on an analysis of the context of the environmental management system and an analysis of the Group's climate risks, 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**.

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

ESRS Standards	ESRS 2 SBM-3
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In order to identify the risks and opportunities related to own operations and along the value chain, the Tesmec Group examined the analysis of the context of the Environmental Management System, supplemented by the identification and analysis of potential additional risks, which had already been examined and processed for the purposes of reporting in accordance with Regulation (EU) 2020/852 (known as "Taxonomy Regulation"). The assessments focused in particular on Tesmec S.p.A., Tesmec Automation S.r.l., Tesmec Rail S.r.l. and Marais Laying Technologies (Pty) Ltd (New Zealand), as these companies have an Environmental Management System in place.

This activity made it possible to systematically analyse potential risks and opportunities. The context analysis allowed to identify **potential vulnerabilities and risks to which the Italian companies and Marais Laying Technologies are exposed**, including risks related to the transition to a low-carbon economy and the resulting impact on its strategy and business model.

The analysis took into consideration: a) 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; b) the **internal context** (the Company vision).

A further and specific resilience analysis is currently being assessed by the Group.

Risks analysed

The assessments carried out in relation to the risks analysed concerning climate change topics are summarised below. For details of the methodologies and sources used, as well as analytical considerations regarding risks, please refer to paragraph below [4.2.2.3: Management of impacts, risks and opportunities / The process for identifying and assessing material impacts, risks and opportunities](#).

Climate change [Mitigation]	Transition risk - market / regulatory / technological Risks related to the possible introduction of regulations requiring the use of technologies and solutions with a lower environmental impact in the sectors in which the Group operates. These regulations may require an upgrade to the Group's production technologies and machinery, which could affect operating costs, investment in product and process innovation, and our ability to adapt our product range to future market demands regarding energy efficiency and emissions reduction.	Material
	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.	Not material (Internal risk mitigation procedures)
Climate change [Adaptation]	Physical risk - temperature fluctuations (heatwave/cold wave, thermal stress, fires).	Not material (Asset location – absence of physical damage and lack of detailed, asset-specific technical and scientific information.)
	Physical risk - increase in the frequency and intensity of extreme weather events (heavy rainfall, tornadoes, storms).	

4.2.2.3 Impact, risk and opportunity management

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

ESRS Standards	ESRS 2 IRO-1
Impacts	
Energy	Energy consumption for the Group's operations: electricity for lighting and the operation of machinery; natural gas for space heating; fuel for company vehicles, production processes or machinery.
Climate change mitigation	Direct greenhouse gas emissions (GHG Scope 1: methane / fuels), indirect emissions (GHG Scope 2: electricity) and emissions along the value chain (GHG Scope 3: purchased goods and services, production goods, transport and distribution of purchased and sold goods, use of sold products, etc.). Consequent impacts on climate change.
Risks/Opportunities*	
Energy	Opportunities arising from reducing exposure to the volatility of fossil fuel prices through increased use of energy from renewable sources and the adoption of high-efficiency technologies and infrastructure. This approach can help stabilise energy costs and generate savings in the medium to long term, whilst improving the environmental performance of the Group's operations.
Climate change mitigation	Increased demand for the Group's solutions, such as high-efficiency machinery, monitoring systems, digital platforms, stringing-equipment technologies and specialised rail vehicles,

could be driven by developments in the markets linked to the energy transition and the digitalisation of infrastructure.

In this scenario, supported by public and private investment in projects relating to the construction, modernisation and smart management of networks, commercial opportunities in the segments served by the Group could be expanded.

*Risks described in the previous chapter

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

Impacts

To identify and assess these impacts, the Group's activities were analysed, including energy and fuel consumption for lighting and operation of machinery, the use of company vehicles and the heating of premises, as well as the resulting direct and indirect Scope 1 and Scope 2 greenhouse gas (GHG) emissions. These emissions are calculated and monitored; in particular, the parent company, Tesmec S.p.A., monitors its energy consumption through the energy diagnosis of the activities, in accordance with ISO 14001:2015.

Indirect GHG Scope 3 emissions along the value chain were calculated and assessed, according to the **GHG Protocol** guidelines, for the following categories identified as significant: purchased goods and services, use of sold products and leased assets downstream,

For more information on the Group's consumption and emissions, see paragraphs [Energy consumption and mix](#) and [GHG emissions](#).

Risks and opportunities

To analyse risks and opportunities, the Tesmec Group has developed a climate risk assessment that is integrated with the analysis of the context of the environmental management system of the Italian companies and of the ones located in New Zealand, with the support of the internal functions involved in the process.

The analyses of the context

The risk analysis was based on the analysis of the context of the environmental management system of some companies of the Group carried out during the previous financial year, which enabled the identification of material **needs, requirements and expectations**, as well as guidelines and actions to be pursued in order to improve internal processes. During 2025, the analysis was extended to cover a wider range of risks. **Regulatory, market and technological** changes were among those considered significant.

Each risk has been assessed twice. Initially, the function managers assessed the materiality of the risk based on their own skills and experience of any past impacts faced by the companies with a management system. Subsequently, the potentially significant risks were examined in the context of evolving climate scenarios.

Climate scenarios

The climate scenarios of reference are those developed by the **International Energy Agency (IEA)** for the socio-economic scenarios and by the **Intergovernmental Panel on Climate Change (IPCC)** for the climate scenarios.

The analysis was carried out using the **Stated Policy Scenario (STEPS)**³, developed by the International Energy Agency (IEA) in the World Energy Outlook 2025 (WEO2025). STEPS is an exploratory scenario: it captures a set of initial conditions, such as policies and targets, and analyses their development based on models representing energy systems that reflect market trends and technological progress. It does not assume that the objectives set out in policies or strategies have been achieved, but provides an overview of the policies and regulations currently in force,

³ IEA (2025) World Energy Outlook 2025, IEA, Paris, Licence: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A)

as well as those that have been formally proposed but not yet adopted. According to this scenario, technological and market trends in the energy segment suggest that new energy technologies could be introduced more rapidly and widely than under a scenario based solely on current policies. STEPS is associated with a global temperature rise of 2.5°C by 2100.

Physical risks

The physical risks were analysed using the **SSP5-8.5 climate scenario**⁴, which allowed climatic conditions to be examined over different time horizons in order to predict the potential impact on the activities and structures of the Italian companies and of the New Zealand ones. The periods considered mainly cover the time frame up to 2050.

The IPCC's Sixth Assessment Report⁵ 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 is an increase in the frequency and intensity of extreme rainfall and a rise in average temperatures. The physical risks related to climate change adaptation that were analysed were therefore as follows:

- increase in extreme weather events
- temperature fluctuation and rise.

However, following a detailed analysis using the reference scenarios, these risks were not found to be material.

An increase in **extreme weather events**, such as more frequent and intense hailstorms, can directly impact the infrastructure of some companies of the Group. In particular, the potential risk to Marais Laying Technologies (Pty) Ltd, which operates in New Zealand, has been assessed, given the region's exposure to more frequent and intense cyclonic events. The risks related to an increase in storms were analysed using the GRI Risk Viewer portal: under the SSP5-8.5 scenario, the operational headquarters in New Zealand could be exposed to potential damage by 2050. Such phenomena can alter soil conditions, leading to instability, landslides and hydrogeological instability. Using the World Resources Institute's Aqueduct Water Risk Atlas portal, and based on the RCP8.5 scenario for 2030 and 2050, the flood risks resulting from extreme rainfall were also assessed. Although these risks do exist, they were not material compared to the impacts related to increased heavy rainfall and the greater frequency of cyclonic events.

In order to assess potential exposure to risks related to **temperature fluctuation and increase** – which could potentially damage infrastructure and increase the vulnerability of assets – a qualitative analysis was carried out for the year 2050 using the [IPCC WGI Interactive Atlas](#), based on the high-emission SSP8-8.5 scenario. The analysis revealed a rise in temperatures across the geographical areas in which the Italian companies and of the New Zealand ones operate. This is a risk that is monitored but not considered significant.

Transition risks

For the analysis of transition risks (regulatory, market, technological, reputational), IEA documents (2025) were consulted, including the World Energy Outlook⁶ and the Global Energy and Climate model⁷, with reference to the STEP scenario. The qualitative analysis of climate change was based on the IPCC's Sixth Annual Report (2023)⁸, whilst for physical risks, the IPCC WGI Interactive Atlas tool⁹, the Atlas – GRI Risk Viewer¹⁰ portal and the Aqueduct, Water Risks Atlas¹¹ portal of the World Resources Institute were used. Where possible, the high emissions SSP8.5 scenario was used.

⁴ 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°C by 2100 compared to pre-industrial levels.

⁵ 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](#)

⁶ IEA (2025), [World Energy Outlook 2025](#), IEA, Paris, Licence: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A)

⁷ IEA (2024), [Global Energy and Climate Model](#), IEA, Paris, Licence: CC BY 4.0

⁸ IPCC (2023) AR6 Synthesis Report: Climate Change 2023, [AR6 Synthesis Report](#)

⁹ IPCC, [WGI Interactive Atlas](#), IPCC Working Group I (WGI): Sixth Assessment Report

¹⁰ Atlas, [Global Climate-Related Risk Analytics](#)

¹¹ World Resources Institute - Aqueduct, [Water Risks Atlas](#)

The IEA scenarios include sensitivity analyses using the Global Energy and Climate Model (GEC), which quantifies the impacts and outlines plausible ranges of results in terms of energy demand and CO₂ emissions, taking into account only the direct effects of the trends included in the scenarios and excluding potential related offsetting and mitigation activities.

The STEP scenario was adopted to analyse the transition to a low-carbon economy. This scenario is characterised by exogenous factors such as economic growth, demographic trends and technological development. Demand for energy services was estimated using econometric methods based on historical and socio-economic data.

It should be noted that the STEP scenario is an intermediate option¹² among those proposed by the IEA. It takes into account policies that have already been implemented, as well as those that have been formally approved or announced. It assumes their gradual implementation, taking into account the political, institutional and social constraints that could slow down the transition. Its adoption was deemed consistent with the current phase in which the Tesmec Group is developing specific strategies and plans.

The transition risks (regulatory, market, technological, reputational) identified and discussed in paragraph [4.2.2.2 Material impacts, risks and opportunities and their interaction with strategy and business model](#), can expose the Tesmec Group to:

- **an increase in operating costs** due to regulatory changes, technological investments, rising energy costs and changes along the value chain;
- **an increase in legal costs and compliance charges**, as well as potential disputes and failure to meet the requirements set by investors and banks;
- **a decrease in revenues** due to reduced demand for products with a high environmental impact, a loss of competitiveness, the introduction of carbon taxes, or stricter regulatory restrictions.

Opportunities

Compared to the sub-topics *Climate Change Mitigation* and *Energy*, the analysis of the context and risks shows that the transition to a low-carbon economy may represent an **opportunity for the Group**. The growing need for alternative energy sources to fossil fuels – partly in response to price volatility and supply influenced by political and economic factors – can lead to financial benefits. The signing of contracts for the supply of electricity from renewable sources or the expansion of the photovoltaic park could reduce exposure to price fluctuations and shortages of fossil fuels. The adoption of more efficient electrical technologies, such replacing traditional heating and cooling systems with heat pumps, would help to reduce operating costs and improve both economic competitiveness and reputation.

Against a backdrop of market developments driven by the energy transition and the digitalisation of infrastructure, supported by public and private investment, the Group could benefit from increased demand for its solutions, such as high-efficiency machinery, monitoring systems, digital platforms, stringing-equipment technologies and specialised rail vehicles.

Policies related to climate change mitigation and adaptation

ESRS Standards	ESRS 2 MDR-P, ESRS E1 E1-2
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The direct environmental impacts of the activities of the Tesmec Group 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 also available on the Group's [website](#). The policies and certifications are shared with Group workers through internal communication channels. The Chief Executive Officers are responsible for implementing the policy, in collaboration with the Business Unit Directors. The environmental policies are approved and shared by the CEOs and General Managers of each Company.

¹² [Task Force on Climate-related Financial Disclosures - Guidance on Scenario Analysis for Non-Financial Companies \(2020\)](#)

Sustainability Policy

In order to improve sustainability performance, as required by its Sustainability Policy, 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.

Environment, Health and Safety Policies and environmental management system

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 main characteristics.

The **advanced technologies developed by Tesmec are designed to help reduce environmental impact** by improving performance, reducing emissions and enhancing energy efficiency: low emission and high efficiency electrical and hybrid motors, automated controls that optimise operations and reduce errors, minimised deforestation through the use of stringing equipment demountable and transportable by helicopter, reduced excavation sections by the trenchers that allow recycling of excavated material, etc.

In 2023, to highlight Tesmec's commitment to environmental issues and compliance with current regulations, the organisational structure was revised, assigning environmental responsibility to the QHSE Manager (Quality, Health, Safety and Environment) for all Italian factories. In order to meet the many national and regional certification and regulatory requirements, the QHSE Manager relies on the contribution of his/her team, the ASPPs and the various Safety Delegates. The structure of the proxies is set out in specific and shared organisational charts, which complement the organisational charts, providing a more comprehensive overview of the company.

Environmental commitments are formalised analytically in the **HSE (Health Safety & Environment) policies** adopted by the Italian companies of the Group 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 QHSE Manager (Quality, Health, Safety and Environment Manager) has 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. At the same time, Tesmec 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 companies¹³ and of the New Zealand company of the Tesmec Group comply with **ISO 14001:2015**. The management system is based on an in-depth knowledge of the environmental aspects that the companies must manage, in accordance with the legislative framework and the applicable requirements, assessing the importance of the impacts.

¹³ Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l.

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 New Zealand company Marais Laying New Zealand and the Australian company Tesmec Australia have a formalised HSE Policy.

The HSE policies also address the Group's commitments regarding climate change, in particular:

- 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.
- 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 included also 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.

Product certifications - product footprint

Most of the products of the subsidiary Tesmec Automation S.r.l. are certified according to the ISO 14067:2018 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
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During 2025, the Tesmec Group continued to consolidate its commitment to environmental sustainability, reinforcing its actions to mitigate climate change and optimise environmental management. Like previous years, the year was characterised by a focus on energy efficiency and the transition to the use of renewable energy sources.

The energy audit carried out at the Sirone factory during previous financial years made it possible to plan a number of interventions implemented in 2025, such as the optimization of the thermal system aimed at maximizing efficiency and reducing heat loss, and the targeted revamping of the photovoltaic system's electronic conversion components, ensuring greater stability and improved energy harvesting from renewable sources.

In 2025, Tesmec Rail implemented additional initiatives as part of the energy transition of its factories. In particular, the Bitetto factory has completed the transition to an energy mix derived entirely from renewable sources, through the supply of energy from traceable renewable sources, thereby establishing itself as a benchmark for efficiency and environmental responsibility within the rail supply chain. On the other hand, the Monopoli factory, to supplement the self-produced energy through its photovoltaic system, signed a contract in December for the supply of energy from renewable sources, in line with the strategy of its parent company, Tesmec S.p.A., which purchases only energy from renewable sources with Guarantees of Origin. The costs incurred for the supply of electricity purchased under this type of contract by Tesmec S.p.A. amounted to € 3,281.7.

As part of the products placed on the market, the Technical Offices of the Tesmec Group, responsible for the design of these products, 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.

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 gradual improvement in efficiency.

In line with its decarbonisation targets, over the past two years, the Company has formalised the appointment of an **Energy Manager** for Italy. This figure coordinates energy efficiency plans and monitors consumption, promoting an increasingly informed and sustainable use of energy resources across all operational headquarters.

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.

4.2.2.4 Metrics and targets

Targets related to climate change mitigation

ESRS Standards	ESRS 2 MDR-T, ESRS E1 E1-4
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The Group pays particular attention to topics related to climate change. 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.

Climate change mitigation and Energy - Targets and actions

Material topic	Target	Actions	UoM	Base year 2024	2025	Target 2030
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 ...)*	%	60.4	63.8	65
Climate change mitigation	Reducing the organisation's environmental impact	Reducing Scope 2 indirect emissions (market-based)	ton CO2eq	668.1	649.7 (-3%)	-10%

*Value obtained from the ratio between the consumption of electricity from renewable sources and the total electricity consumption.

Electricity - Guarantee of origin	Investments for the signing of contracts for the supply of electricity generated from renewable sources (Guarantee of Origin).
Photovoltaic systems - Self-production	Optimisation and streamlining of existing photovoltaic systems and, where technically and economically viable, the expansion of their capacity.
Energy efficiency	Optimisation of production processes and air conditioning systems: to maximise the use of self-produced electricity from renewable sources, thereby reducing dependence on energy purchased or produced from fossil fuels.
Awareness raising	Promoting awareness-raising initiatives aimed at its employees to encourage virtuous behaviour in terms of energy saving.

Transparency and responsibility are key principles of the Tesmec Group's approach to sustainability. Progress towards the set targets 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 are published in the Sustainability Report.

The Tesmec Group, aware of the 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 (2024) in which 60.4% of electricity requirements were met by renewable sources, the Group aims to increase this share to 65% by 2030.

The targets set by the Group are in line with the recommendations of the ESRS standards. Tesmec is 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 taken into account when defining sustainability strategies.

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 without Guarantees of Origin. 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 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	
	Year 2025	Base year 2024	2023	Target 2030	Annual % target/base year
Direct emissions – Scope 1	2,341.3	3,484.8¹	3,591.1¹		
Scope 1 emissions covered by regulated emission trading schemes	-	-	-		
Indirect emissions – Scope 2					
Scope 2 - location-based	913.0	1,318.2 ¹	1,508.1		
Scope 2 - market-based	649.7	668.1 ¹	1,940.4	601.3	-10%
Scope 1 + 2 – Location-based	3,254.3	4,803.0	5,099.2		
Scope 1 + 2 – Market-based	2,991.0	4,152.9	5,531.5		
Indirect emissions – Scope 33	259,284.0	337,693.3	-		
Category 1 - Purchased goods and services (upstream)	102,573.4	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)	147,496.9	240,784.5 ²	-		
Category 13 - Leased assets (downstream)	9,213.6	14,216.9	-		
Total emissions - Location-based	262,538.3	342,496.3	5,099.2		
Total emissions - Market-based	262,275.0	341,846.2	5,531.5		

¹ Scope 1 emissions for 2023 and 2024, and Scope 2 emissions (Location-based and Market-based) for 2024, have been restated following the availability of more accurate data. Scope 1 emissions were previously stated as 3,761.3 and 3,715.3 tCO2eq for 2023 and 2024, and Scope 2 emissions were previously stated as 1,315.6 and 665.5 tCO2eq for 2024.

² The 2024 figure relating to Scope 3 emissions, category 11, for the Italian companies of the Group is restated. Previously, the figure was stated as 39,821,262.9 tCO2eq; revised figure of 210,736.9 tCO2eq.

³ During 2025, Tesmec carried out a more in-depth assessment of Scope 3 indirect emissions than that outlined in the 2024 Annual Financial Report, extending it to the entire Group and reassessing the materiality of the various categories.

Energy consumption and mix

ESRS Standards	ESRS 2 MDR-M, ESRS E1 E1-5
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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 Tescmec Group's energy consumption from fossil and renewable sources for the three-year period from 2023 to 2025 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.

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 Tescmec Peninsula and Tescmec 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.

In 2025, consumption of diesel oil for motor vehicles fell by 58.3% compared to the previous year. This change is due both to greater efficiency in the use of vehicles and to the French company Groupe Marais SAS no longer being included in the reporting boundary. This factor also contributed to a reduction in diesel oil consumption in production processes and machinery, which fell by 13.2% compared with 2024.

During the same period, the consumption of petrol for motor vehicles rose by 12.3%, due to the increase in the number of vehicles fuelled by petrol in the Group's fleet and their greater use during the financial year.

With reference to the consumption of electricity purchased, there was a reduction of 11.4% in 2025 compared to the previous year. This change is mainly due to Groupe Marais SAS no longer being included in the reporting boundary, as well as to a lower level of activity recorded in some of the Group's foreign subsidiaries.

Several of the Tescmec Group's factories are equipped with photovoltaic systems, which enable them both to reduce their need for electricity purchased from external sources and to feed the energy produced and not self-consumed into the grid. During 2025, the Group produced 2,041.7 MWh of energy from renewable sources (photovoltaic), up by 9.4% compared to 2024. 884.2 MWh of this production was transferred to the electricity network.

Energy consumption (MWh)	2025	2024	2023
Energy from fossil sources			
Vehicle fuel			
Diesel oil	3,075.3	7,379.1	8,126.3
Petrol	957.8	852.6	1,041.6
Heating			
Natural gas	4,814.8	4,821.3	3,722.7
Fuels for production or machinery			
Diesel oil ¹	935.3	1,076.9	1,011.4
LPG	158.1	142.8	152.3
Electricity			
Electricity purchased ³	1,653.6	1,865.3 ²	4,489.0
Total energy from fossil sources - MWh	11,594.9	16,138.0	18,543.2
Energy from renewable sources			
Electricity			
Electricity purchased with Guarantee of Origin contracts	1,750.6	1,815.3	-
Electricity produced by photovoltaic system	2,041.7	1,865.8	1,151.4
Minus: Energy fed into the grid	884.2	839.9	308.1
Total energy from renewable sources - MWh	2,908.2	2,841.2	843.3
Total energy consumption - MWh	14,503.0	18,979.1	19,386.5
Impact of fossil fuels	79.9%	85.0%	95.7%
Impact of renewable sources	20.1%	15.0%	4.3%

¹ The figures relating to diesel oil for production used by the Tescmec Group for the years 2024 and 2023 have been restated following the availability of more accurate data for Tescmec USA Inc. Previously, the figures were stated as 1,921.5 MWh for 2024 and 1,626.5 MWh for 2023.

² The figure relating to electricity purchased by the Group for the year 2024 is restated following the availability of more accurate figures for Marais Trenching (Pty) Ltd. AFS. Previously, the figure was stated as 1,862.3 MWh for 2024.

³ Based on the national energy mixes of the countries in which the Group's production companies operate, it is estimated that approximately 14.2% of the electricity purchased from the grid comes from nuclear sources.

Sources (MWh conversion factors)

▪ Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2025 - gov.uk (www.gov.uk)

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 downward trend, mainly attributable to a reduction in the Group's energy consumption, largely due to the French manufacturing company Groupe Marais SAS no longer being included in the 2025 reporting boundary. This trend is recorded against an increase in the Group's net revenues, driven by improved performance across the Group's companies.

The net revenues used to calculate the energy intensity index correspond to the Group's total consolidated revenues, including those of Groupe Marais SAS for the two-year period from 2024 to 2023.

Energy intensity index	2025	2024	2023
Energy consumption (MWh) ¹	14,503.0	18,979.1	19,386.5
Net revenues (Euro)	257,606,489	252,755,627.3	251,916,827.3
Intensity index (MWh/Euro*1,000)	0.0563	0.0751	0.0770

¹ The figures relating to energy consumption of the Tesmec Group for the years 2024 and 2023 have been restated following the availability of more accurate data. Previously, the figures were stated as 19,820.8 MWh for 2024 and 20,001.7 MWh for 2023.

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

Energy intensity index	2025	2024	2023
Energy consumption (MWh) ¹	14,503.0	18,979.1	19,386.5
Hours worked	1,659,476.2	1,827,028.5	1,837,291.0
Intensity index (MWh /hours worked*1,000)	8.74	10.39	10.55

¹ The figures relating to energy consumption of the Tesmec Group for the years 2024 and 2023 have been restated following the availability of more accurate data. Previously, the figures were stated as 19,820.8 MWh for 2024 and 20,001.7 MWh for 2023.

GHG emissions

ESRS Standards	ESRS 2 MDR-M, ESRS E1 E1-6
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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 are shown below (Scope 1, Scope 2 and Scope 3 emissions).

Total emissions - Scope 2 Location-based (t CO ₂ e) ¹	2025	2024	2023
Total Scope 1 GHG emissions (direct)	2,341.3	3,484.8	3,591.1
Total Scope 2 GHG emissions (indirect) - Location-based	913.0	1,318.2	1,508.1
Total Scope 1/Scope 2 GHG emissions - Location-based	3,254.3	4,803.0	5,099.2
Total Scope 3 GHG emissions	259,284.0	337,693.3	-
Total emissions (t CO₂e)	262,538.3	342,496.3	5,099.2

¹ Scope 1 emissions for 2024 and 2023, and Scope 2 emissions (Location-based) for 2024 have been restated following the availability of more accurate data. Scope 1 emissions were previously stated as 3,715.3 tCO₂eq for 2024 and 3,761.3 tCO₂eq for 2023, whilst Scope 2 location-based emissions were previously stated as 1,315.6 tCO₂eq for 2024. The 2024 figure relating to Scope 3 emissions, category 11, for the Italian companies of the Group is restated. Previously, the figure was stated as 39,821,262.9 tCO₂eq; revised figure of 210,736.9 tCO₂eq.

Total emissions - Scope 2 Market-based (t CO ₂ e) ¹	2025	2024	2023
Total Scope 1 GHG emissions (direct)	2,341.3	3,484.8	3,591.1
Total Scope 2 GHG emissions (indirect) - Market-based	649.7	668.1	1,940.4
Total Scope 1/Scope 2 GHG emissions - Market-based	2,991.0	4,152.9	5,531.5
Total Scope 3 GHG emissions	259,284.0	337,693.3	-
Total emissions (t CO₂e)	262,275.0	341,846.2	5,531.5

¹ Scope 1 emissions for 2023 and 2024, and Scope 2 emissions (Market-based and Market-based) for 2024, have been restated following the availability of more accurate data. Scope 1 emissions were previously stated as 3,715.3 tCO₂eq for 2024 and 3,761.3 tCO₂eq for 2023, whilst

Scope 2 Market-based emissions were previously stated as 665.5 tCO₂eq for 2024. The 2024 figure relating to Scope 3 emissions, category 11, for the Italian companies of the Group is restated. Previously, the figure was stated as 39,821,262.9 tCO₂eq; revised figure of 210,736.9 tCO₂eq.

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, as well as the Group's vehicle fleet. The quantitative data presented is derived from the conversion of the quantities consumed from the various energy sources, based on the associated emission factors (estimates derived from the reference sources used and referred to at the bottom of the table).

Total Scope 1 emissions fell by 32.8% in 2025 compared to the previous year. This trend is mainly due to the French company Groupe Marais SAS no longer being included in the reporting boundary, resulting in a decrease in the consumption of diesel oil for motor vehicles. In 2024, the diesel oil for motor vehicles of Groupe Marais accounted for 67.2% of the Group's total consumption.

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

Direct emissions – Scope 1 GHG (t CO ₂ e)	2025	2024	2023
Vehicle fuel			
Diesel oil	798.2	1,874.7	2,065.0
Petrol	222.1	198.1	244.0
Heating			
Natural gas	976.4	977.5	754.9
Fuels for production or machinery			
Diesel oil ¹	255.2	293.8	279.7
LPG	36.4	32.9	35.0
F-gas (refrigerant gases dispersed in the atmosphere - R134a)	53.1	107.7	212.9
Total - Scope 1 Emissions (t CO₂e)	2,341.3	3,484.8	3,591.1

¹ The figures relating to diesel oil for production used by the Tesmec Group for the years 2024 and 2023 have been restated following the availability of more accurate data for Tesmec USA Inc. Previously, the figures were stated as 524.3 tCO₂eq for 2024 and 449.9 tCO₂eq for 2023.

Sources

- Fuels, Methane and Diesel oil - Defra UK - Greenhouse gas reporting: conversion factors 2025 - gov.uk (www.gov.uk)
- FGAS - Maintenance reports

Indirect emissions - Scope 2 GHG

Indirect emissions (Scope 2 GHG emissions) arise from the electricity consumption at the Group's sites supplied by external providers, net of self-production and consumption from renewable sources (specifically, photovoltaic systems).

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.

In 2025, 51.4% of the electricity consumed was purchased with Guarantee of Origin contracts, representing 40.5% of indirect Scope 2 emissions Location-based.

Total Scope 2 emissions decreased in 2025 compared to the previous year (-30.7% for Scope 2 emissions calculated with the location-based method and -2.8% for those calculated with the market-based method). This trend is primarily

due to the change in the reporting boundary that took place in 2025, as well as to the reduction in activities in some foreign companies of the Group and the increased use of self-produced energy from photovoltaic systems by the Italian companies Tesmec S.p.A. and Tesmec Rail S.r.l. to replace the electricity purchased from external sources.

Indirect emissions – Scope 2 GHG (t CO ₂ e)	2025	2024 ¹	2023
Electricity purchased - Location-based method	913.0	1,318.2	1,508.1
Electricity purchased - Market-based method	649.7	668.1	1,940.4

¹ The figure relating to electricity purchased by the Tesmec Group for the year 2024 is restated following an improvement in the data collection process of Marais Trenching (Pty) Ltd. AFS. Scope 2 Location-based emissions were previously stated as 1,315.6 tCO₂eq and Scope 2 Market-based emissions were previously stated as 665.5 tCO₂eq.

Sources:

- Algeria, China, Ivory Coast, Guinea, Qatar, Saudi Arabia, South Africa - Carbon Footprint Ltd's GHG Factors for International Grid Electricity (ROW) 2025
- Australia - Australian Government, Clean Energy Regulator - National greenhouse and energy reporting
- Italy, France - ISPRA - Ministero Ambiente Rapporto 418/2025 - Tab 2.7 GHG emission factors for total electricity production (g CO₂eq/kWh)
- Italy, France - European Residual Mix - AIB (aib-net.org) Tab 2: Residual Mixes – Market-based method
- New Zealand - Ministry for the Environment 2025. Measuring emissions: A guide for organizations
- USA - US EPA – eGrid (ERCT) - Summary Data - Location-based method
- USA – Green-e | Residual Mix Emissions Rates - Market-based method

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 business functions, 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 material based on the criteria of size, influence, risks and stakeholders involved, and the calculation methods used are described below:

Scope 3 Category (GHG Protocol) ^{1 2}	Description and impact on the Tesmec Group	Calculation method
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) and the services purchased	Calculation made using the Hybrid method : average data method for products for which specific characterisation is available spend-based method for non-characterised products and for services purchased during the year, based on the economic value of purchases
11 Use of sold products (downstream)	Impact related to the use by customers of goods sold by Tesmec	Emissions are estimated on the basis of the energy consumption associated with the use of the products sold (method for direct-use-phase emissions from products that directly consume energy during use), taking into account the expected hours of use over the product's life cycle. The data was obtained using estimates based on technical and contractual parameters
13 Leased assets (downstream)	Emissions related to the use of the Group's products rented to third parties.	Estimate made using the Asset-Specific method , based on the specific data of use and energy consumption of the individual leased assets

¹ The categories "2 Production goods", "3 Energy consumption not included in Scope 1 and Scope 2 emissions", "4 Upstream transport and distribution of products", "5 Waste generated in operations", "6 Business travelling", "7 Employee commuting", "9 Downstream transport and distribution of the finished product", "12 End-of-life treatment of sold products", "15 Investments" were found to be of no material significance for the Tesmec Group as a whole during the analysis, whilst the categories "8 Leased assets", "10 Processing of sold products", "14 Franchises" were not considered applicable to the Group's activities.

² During 2025, Tesmec carried out a more in-depth assessment of Scope 3 indirect emissions than that outlined in the 2024 Annual Financial Report, extending it to the entire Group and reassessing the materiality of the various categories.

The following table shows the indirect Scope 3 GHG emissions for each category identified as significant.

To calculate the Scope 3 indirect emissions, the Tesmec Group used both direct sources and estimated data. Almost all of the data comes from primary sources, as only ntCO₂e derive from estimates.

The reduction in Scope 3 emissions compared with 2024 is mainly attributable to improvements in the calculation method and the greater availability of primary data, which have enabled a more accurate estimate, particularly for categories 11 (use of products sold) and 13 (downstream leased assets). Groupe Marais, which was previously significant in terms of downstream leased assets, is not included in the 2025 scope.

Indirect emissions – Scope 3 GHG (t CO ₂ e) ¹	2025	2024
Category 1 - Purchased goods and services (upstream)	102,573.4	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)	147,496.9	240,784.5 ²
Category 13 - Leased assets (downstream)	9,213.6	14,216.9
Total - Scope 3 Emissions (t CO₂e) (Tesmec Group)	259,284.0	337,693.3

¹ During 2025, Tesmec carried out a more in-depth assessment of Scope 3 indirect emissions than that outlined in the 2024 Annual Financial Report, extending it to the entire Group and reassessing the materiality of the various categories.

² The 2024 figure relating to Scope 3 emissions, category 11, for the Italian companies of the Group is restated. Previously, the figure was stated as 39,821,262.9 tCO₂eq; revised figure of 210,736.9 tCO₂eq.

Applied emission factors:

- [Defra UK](#) - greenhouse gas reporting: conversion factors 2025 - gov.uk (www.gov.uk)
- [EUROSTAT](#), environmentally extended input-output tables and models for Europe (EEIO)
- [Software SimaPro 9.6.0.1](#); Database Ecoinvent Version 3.12 - Allocation, cut-off by classification (cutoff). LCIA Method - IPCC 2021 | Climate Change: total (excl. Biogenic CO₂) | GWP100. 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, 2 and 3 emissions to net revenues, is shown below.

The net revenues used to calculate the emission intensity index correspond to the Group's total consolidated revenues, including those of Groupe Marais SAS for 2024

Emission intensity index	2025	2024
Total Scope 1, 2 emissions - Location-based, 3 (t CO ₂ e)	262,538.3	342,496.3
Net revenues (Euro)	257,606,489	252,755,627
Intensity index (t CO₂e/Euro*1,000)	1.019	1.355

Emission intensity index	2025	2024
Total Scope 1, 2 GHG emissions - Market-based, 3 (t CO ₂ e)	262,275.0	341,846.2
Net revenues (Euro)	257,606,489	252,755,627
Intensity index (t CO₂e/Euro*1,000)	1.018	1.352

To enable comparison with the years 2023 and 2024, the emissions intensity index has been calculated taking into account only Scope 1 and Scope 2 emissions. In 2023 and 2024, this index stood at 0.0202 and 0.0190, respectively, under the Location-based approach, and at 0.0220 and 0.0164 under the Market-based approach. Applying the same scope of emissions to 2025 reveals a downward trend, with an index of 0.0126 for the Location-based approach and 0.0116 for the Market-based approach.

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 more significant due to the nature of Tesmec Group's activities.

Emission intensity index	2025	2024
Total Scope 1, 2 emissions - Location-based, 3 (t CO ₂ e)	262,538.3	342,496.3
Hours worked	1,659,476.2	1,827,028.5
Intensity index (t CO₂e/hours worked)	0.158	0.188

Emission intensity index	2025	2024
Total Scope 1, 2 GHG emissions - Market-based, 3 (t CO ₂ e)	262,275.0	341,846.2
Hours worked	1,659,476.2	1,827,028.5
Intensity index (t CO₂e/hours worked)	0.158	0.187

Also in this case, the emission intensity index calculated considering Scope 1 and Scope 2 emissions in relation to the hours worked shows a decreasing trend. In particular, the index falls from 2.63 in 2024 to 1.97 in 2025 under the location-based approach, and from 2.27 to 1.81 under the market-based approach.

4.2.3 Pollution

Topic	Sub-topic
E2 Pollution	Substances of concern Substances of very high concern

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
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Impacts	
Substances of concern	Use of substances of concern in production processes / machining and assembly: paraffin distillates and oils, substances that may have a negative impact on the environment (pollution and disposal) and on the health and safety of workers handling them.
Substances of very high concern	Use of substances of very high concern in production processes / painting and assembly: phenols, alkanes and sodium tetraborates.

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

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter [4.1.4.1 Materiality Assessment](#). Consultations with employees, suppliers and investors were carried out using the survey described in the same paragraph.

Impacts

Air pollution - The Group monitors and manages emissions other than CO₂, 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 quantities of pollutants emitted are below the established minimum thresholds and are therefore not material.

Substances of Concern - The significant impacts identified mainly concern production processes using products, which involve the use of products such as **lubricating oils, distillates and heavy paraffinic oils, toluene, methanol and methyl ethyl ketone**. These substances are used in mechanical assembly, painting, machining and rope-works.

The analyses were carried out at the Alvarado, Grassobbio, Monopoli, Sirone and Durtal factories (Tesmec USA Inc., Tesmec S.p.A., Tesmec Rail S.r.l. and Tesmec France SAS).

Substances of very high concern - The significant impacts identified mainly concern production processes using products, which involve the use of products such as **phenols, alkanes and sodium tetraborates**. These substances are used in painting and mechanical assembly activities. The analyses were carried out at the Alvarado, Grassobbio, Monopoli, Sirone and Durtal factories (Tesmec USA Inc., Tesmec S.p.A., Tesmec Rail S.r.l. and Tesmec France SAS).

Risks and opportunities

It should be noted that the analyses carried out did not reveal any material risks or opportunities for the purposes of the Sustainability Reporting in relation to topic E2 Pollution.

Policies related to pollution

ESRS Standards	ESRS 2 MDR-P, ESRS E2 E2-1
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As described in paragraph [4.2.2.3 Impact, risk and opportunity management/Policies related to climate change mitigation and adaptation](#), the Tesmec Group adopted policies and management systems aimed at mitigating its environmental impact, available on the Group's [website](#). The policies and certifications are 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 and of very high concern, it is committed to mitigating the related impacts and risks through established practices and policies already in place, based on recognised standards.

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

Actions and resources related to pollution

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

The actions implemented by Tesmec in recent times to reduce the environmental impact of its activities also concerned the management of substances of concern. These actions are part of a long-term commitment to improve environmental safety.

The actions taken significantly reduced the risk of accidents. The aim of all these activities is to maintain a virtuous behaviour, in compliance with environmental regulations.

Centralised database - During 2025, the Group continued to prepare and implement a centralised platform for monitoring Safety Data Sheets (SDS). The system will enable the gradual standardisation of safety protocols, thereby strengthening the control of applicable regulatory requirements. The solution is designed to ensure a high level of compliance with both national law (Italian Legislative Decree 81/08) and the main European guidelines on the management of hazardous substances. In 2025, the Group incurred costs of € 3,492 for the annual licence of this software.

In line with the continuous strengthening of environmental safety standards, the investment plan includes the implementation of new infrastructures dedicated to oil storage at both Tesmec S.p.A. plants. These facilities aim to optimize the management of technical fluids and further enhance soil and subsoil protection levels at the Group's sites.

4.2.3.2 Metrics and targets

Targets related to pollution

ESRS Standards	ESRS 2 MDR-T, ESRS E2 E2-3
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The Group's objective regarding the management of hazardous substances and pollution prevention is to **reduce the use of substances of concern in production processes**, with a particular focus on the **painting and machining departments**. The 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.

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

Material topic	Target	Actions	UoM	Base year 2024	2025	Target 2030
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	56,580.7 (-27.7%)	-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. They are the result of an 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 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.

Management system / Database - As previously reported, the preparation of a specific management system, which will involve all production plants, is currently being finalised. The centralised and intelligent database is designed as a dynamic archive of all chemical substances used in production departments and is intended to provide detailed and easily accessible information on each chemical.

For each product, once fully operational, 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 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 be integrated with the Group's computer systems to ensure constant updating of the information and traceability of the substances.

The integration of this tool already enables the Group to monitor its **Chemical Footprint**, albeit to a limited extent, and will further strengthen this capability in the future. This will make it possible to more effectively define and implement strategies for replacing the most critical substances, prioritising alternatives with a lower environmental and health impact, in line with the Group's objectives.

Chemical management procedures - The Group is implementing a process to review and strengthen procedures relating to the management of chemical substances. The process involves various company functions and offices.

- The chemical risk assessment procedure involves analysing the hazards and risks related to the use of each substance, and then defining appropriate prevention and protection measures.
- The authorisation procedure for the purchase of new chemical substances requires a prior risk assessment and approval by a multidisciplinary team made up of representatives from the purchasing, environment, safety and production departments.
- The process for controlling and monitoring the use of chemical substances 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.

The 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 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 and substances of very high concern

ESRS Standards	ESRS 2 MDR-M, ESRS E2 E2-5
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The substances of concern and very high 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 Tesmec France SAS).

With regard to substances of concern, following the closure of the Endine site and the transfer of the relevant activities to the Grassobbio factory, 87.2% of these substances are attributable to the Grassobbio and Sirone Tesmec S.p.A.'s factories. The use of these substances is mainly associated with mechanical assembly work, whilst further applications can be found in painting processes, machining and rope-making activities.

As regards substances of very high concern, 44.8% of the total is used at Tesmec S.p.A.'s sites, particularly as part of the painting and mechanical assembly operations.

The substances analysed are purchased and used directly in the Group's activities; the Group does not produce or market any substances.

The 27.7% decrease recorded over the two-year period in the use of substances of concern by the Group is mainly attributable to the availability of more accurate data and a change in the reporting boundary (Groupe Marais SAS).

Substances of concern			
Substances of concern (kg)	CAS no.	2025	2024
Lubricating oils (petroleum), C20-50, neutral oil-based, hydrotreated	72623-87-1	7,595.4	34,221.9
Lubricating oils (petroleum), C24-50, solvent extracted, de-waxed, hydrogenated	101316-72-7	21,766.8	26,611.9
Toluene	108-88-3	3,440.9	8,362.6
Methanol	67-56-1	803.2	2,442.9
Distillates (oil), hydrotreating heavy paraffinic	64742-54-7	15,185.1	1,915.8
Methyl ketone	108-10-1	-	1,215.2
Other substances of concern		7,789.2	3,483.3
Total		56,580.7	78,253.6

As regards substances of very high concern, the 21.6% decrease is due to the availability of more up-to-date and accurate data for the year 2025.

Substances of very high concern			
Substances of very high concern (kg)	CAS no.	2025	2024
Alkyl phenol	121158-58-5	6.2	1.2
Alkanes in C14-17, chloro-, chlorinated paraffins, C14-17	85535-85-9	4.8	-
Disodium tetraborate pentahydrate	12179-04-3	2.7	16.1
Other substances of very high concern		0.1	0.3
Total		13.8	17.6

4.2.4 Resource use and circular economy

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

4.2.4.1 Impact, risk and opportunity management

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

ESRS Standards	ESRS 2 IRO-1
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Impacts	
Resources inflows, including resource use	Extraction of non-renewable natural resources along the value chain (upstream) for the production of semi-finished products and materials used in manufacturing processes (steel, aluminium, nylon, hydraulic and lubricating oils, etc.), with increased pressure on ecosystems.
Waste	Management of waste generated during production processes (both hazardous and non-hazardous) and its environmental impacts

The materiality analysis related to **ESRS E5 Resource Use and Circular Economy** enabled the identification of material impacts in the operational phases and along the upstream value chain.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter [4.1.4.1 Materiality Assessment](#). Consultations with employees, suppliers and investors were carried out using the survey described in the same paragraph.

Impacts

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

Inflows and use of resources - The procurement of raw materials and other materials is of paramount importance to the Tesmec Group. The most significant impacts related to this topic concern **the extraction of non-renewable natural resources** required for the production of semi-finished products and materials used in the Group's manufacturing processes. This reliance on non-renewable raw materials contributes to increasing pressure on natural ecosystems, affecting the availability of resources, environmental balance and the overall sustainability of the Tesmec Group's production processes and its value chain.

For more information on the resources used by the Tesmec Group, please refer to paragraph [Resource inflows](#).

Waste - The Tesmec Group generates both hazardous and non-hazardous waste from its operations. The main impacts derive from the management of waste (in particular, hazardous waste), which can have significant environmental consequences, including soil, water and air pollution, as well as risks to human health and ecosystems.

Risks and opportunities

It should be noted that the analyses carried out did not reveal any material risks or opportunities for the purposes of Sustainability Reporting in relation to topic E5 Resource use and circular economy.

Policies related to resource use and circular economy

ESRS Standards	ESRS 2 MDR-P, ESRS E5 E5-1
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As described in paragraph [4.2.2.3 Impact, risk and opportunity management/Policies related to climate change mitigation and adaptation](#), the Tesmec Group adopted policies and management systems aimed at mitigating its environmental impact, available on the Group's [website](#). The policies and certifications are shared with Group workers through internal communication channels.

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

Sustainability Policy

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

Environment, Health and Safety Policies and environmental management system

The HSE policies also address the Group's commitments to resource use and circular economy:

- 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 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.

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), 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
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Actions

In the two-year period from 2024 to 2025, the Tesmec Group consolidated its **Circular Economy** strategy, transforming waste management from a mere regulatory fulfilment into a cornerstone of its environmental and operational responsibility.

Governance and Safety in the Transport of Dangerous Goods – As part of its commitment to prioritising the mitigation of environmental risks, the Group has renewed the appointment of the **ADR Consultant** for its main Italian production sites until 2025 and confirmed the appointment for 2026. This figure ensures constant supervision of the management, packaging and transport of hazardous waste, guaranteeing that every stage of the materials’ lifecycle is carried out to the highest safety standards, thereby drastically reducing the risk of accidental spills or environmental impact.

RENTRI - The year 2025 marked a major turning point with the **full digitalisation of processes**. In February 2025, all the Group’s Italian companies adopted advanced management software designed to ensure immediate interoperability with the **RENTRI portal** (National Electronic Register for Waste Traceability). During the first phase of this process, the migration of loading and unloading records to a digital platform was successfully completed, eliminating the use of outdated paper documents and ensuring real-time, error-proof data

traceability. The second phase, which will be completed in the second half of 2026 with the introduction of **digital forms (XFIR)**, will see the direct involvement of operational staff, who will be equipped with mobile devices and specific applications that will enable the complete digitalisation of transport documents, thereby optimising waste logistics directly in the field.

Environmental Manager - With a view to vertical integration and the sustainability of services, Tesmec began the qualification process in 2025 – which will be completed in 2026 – to become an **Environmental Manager** for **Tesmec Rail** and **Tesmec S.p.A.** This strategic step is aimed at optimising the management of waste generated during maintenance activities (Full Maintenance Service). By playing an active role in environmental management, the Group ensures that its customers in the rail segment benefit from a more controlled, transparent and sustainable supply chain, reducing the number of intermediaries and improving the recovery of materials on construction sites.

Investment in human capital and training - For Tesmec, sustainability also depends on raising awareness among its people. During 2025, an intensive training programme continued, combining general principles of environmental protection with technical training in the use of new digital platforms. Aware of the rapid pace of regulatory change, the Group has already planned to further expand its training programmes in 2026, extending these skills to an ever-increasing number of employees to ensure that environmental compliance becomes a shared value at every level of the organisation.

Best Practices - The digital management model implemented in Italy also serves as a benchmark for the entire Group. In line with this vision, the foreign subsidiaries such as Tesmec France also continued to align themselves with local digital traceability systems. This approach ensures that the Tesmec Group operates according to a consistent method, guaranteeing that technological innovation serves the cause of environmental protection and transparency towards all stakeholders.

Waste management areas (USA) - Tesmec USA Inc. confirmed the process 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.

Resources

No precise information is available on the expenses incurred in carrying out the activities described above.

4.2.4.2 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

Use of raw materials - 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 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". The Group will consider the opportunity of introducing more specific and quantitative 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
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The materials most used in quantitative terms by the **production companies** (Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec USA, Inc., Tesmec France SAS) are:

- **Semi-finished steel products** used for the production of trencher excavation plates.
- **Aluminium** (sheets, tubes, round) used for stringing equipment ladders and bridges.
- Semi-finished **nylon** products (rings and plates) used for stringing equipment machine capstan sectors.
- **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 **827.5 tonnes of materials** were purchased in 2025, decreasing by 20.1% compared to 2024, of which 55.0% were semi-finished steel products and hydraulic oil and lubricants, 7.5% from carpentry materials and 12.4% from wooden packing cases and pallets and cardboard boxes.

The downward trend is attributable to the lower purchase of semi-finished iron and aluminium products, resulting from the reduction in the production of excavation plates for trenchers and rigid tubes, as well as the decrease in the purchase of wiring and carpentry materials, also in relation to the use of stocks already available at Tesmec Automation.

79% 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 1.1% 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)*	2025	2024	2023
Technical materials			
Materials needed for the production process that are not part of the finished product			
Hydraulic oil and lubricants	106.3	103.0	126.9
Semi-finished products or components			
Semi-finished steel products (sheets, tubes, rounds)	348.9	449.0	522.1
Semi-finished aluminium products (sheets, tubes, rounds)	38.3	43.3	24.8
Semi-finished nylon products (rings, plates)	95.9	64.7	63.6
Wire assembly	58.0	77.6	-
Electronic pcb	15.8	19.6	-
Finished goods			
Carpentry	62.0	150.0	-
Biological materials			
Packaging materials			
Wooden boxes and platforms	90.8	113.9	78.9
Cardboard boxes	11.4	14.9	-
Total	827.5	1,036.1	816.2

* The data reported derives from specific extractions from the D365 management system installed in all the Group's production companies. The weights of wooden crates and pallets, as well as cardboard boxes, are estimated for the Italian companies Tesmec S.p.A., Tesmec Automation and Tesmec Rail.

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. Tesmec adopts a long-lasting design approach to ensure that the products or systems are durable, efficient and long-lasting.

Energy Stringing

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.

Tesmec's stringing equipment products are 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.

Energy Automation

The product portfolio is 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.

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).

Trencher

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.

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.

Rail

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 2025, which is guaranteed for 36 years.

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).

The waste generated

The Tesmec Group adopts an approach aimed at minimising the environmental impact of production activities. The business 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.

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.

With a view to more **Proactive environmental governance**, the waste management structure is evolving to meet the challenges of digital interoperability. The coordination between the new Italian regulatory requirements (RENTRI) and the Group policies is supported by an ecosystem of software and digital devices that elevates the quality of the reporting, guaranteeing the continuity of processes and a timely response to stakeholder requests.

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 2025, 1,952.9 tonnes of waste were generated, of which 27.4% 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)*	2025	2024	2023
Hazardous waste	535.5	644.0	294.4
Non-hazardous waste	1,417.4	3,697.1	1,219.5
Total waste generated	1,952.9	4,341.1	1,513.9

* For Tesmec SA (Pty) LTD and Marais Laying Tech. (Pty) Ltd. In Nouvell Zelande, the quantities of waste generated were calculated using estimates.

The quantities of waste generated are shown below, together with details of the type of waste and its final destination (recovery or disposal). The most significant types of waste produced are those consisting of ferrous chips and shavings, waste oil and water, iron and steel, and packaging.

The significant 55.0% reduction in waste generated by the Group is mainly attributable to the company Marais Laying Tech. (Pty) Ltd. Nouvell Zelande. In 2024, the Company carried out an important excavation activity as part of a project commissioned by a customer located in a contaminated area, which had not 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 factors that led to an increase in the amount of waste generated are attributable to the French manufacturing company Groupe Marais SAS no longer being included in the reporting boundary and the lower number of equipment and machinery decommissioned during 2025.

Overall, all of the Group's sites show a reduction in waste generation, with a consistent trend across the various companies. The only exception is the subsidiary based in Australia, which shows an increase, due in particular to the increase in wood waste. This change is attributable to the type of supplies received during the projects: in 2025, a greater proportion of materials were delivered in wooden packaging than in previous years.

Waste generated by category (t)	2025			2024 ¹			2023		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Hazardous waste									
Hazardous technical oils and fluids	53.0	303.5	356.5	66.6	236.3	302.9	52.3	170.6	222.9
Paints, solvents and chemicals	6.3	6.6	12.9	7.1	7.5	14.7	4.4	6.8	11.2
Contaminated materials	7.3	6.4	13.7	12.3	5.3	17.5	8.8	8.0	16.8
Contaminated packaging	6.1	0.7	6.7	9.9	-	9.9	11.2	-	11.2
Batteries and hazardous components	9.3	0.9	10.2	6.5	1.3	7.8	3.9	3.1	7.0
Sludge and contaminated materials	3.1	17.7	20.8	-	13.1	13.1	0.1	11.0	11.1
Other hazardous waste	7.8	106.8	114.5	175.3	102.8	278.1	11.7	2.5	14.2
Total	92.8	442.6	535.5	277.7	366.3	644.0	92.4	202.0	294.4
Non-hazardous waste									

Metals	727.6	14.2	741.8	1,051.1	13.9	1,065.0	597.2	13.7	610.9
Packaging and packaging materials	329.8	2.4	332.3	270.1	2.6	272.7	248.8	2.9	251.7
Mixed industrial waste	234.4	61.9	296.3	291.0	77.7	368.7	146.4	192.7	339.0
WEEE and components	8.6	-	8.6	5.6	-	5.6	4.7	-	4.7
Waste from construction and demolition	33.4	1.4	34.8	-	1,907.3	1,907.3	-	1.4	1.4
Non-hazardous liquid solutions	-	3.6	3.6	7.7	70.2	77.9	-	11.7	11.7
Total	1,333.8	83.6	1,417.4	1,625.4	2,071.7	3,697.1	997.1	222.4	1,219.5
Total waste generated	1,426.6	526.3	1,952.9	1,903.1	2,438.0	4,341.1	1,089.5	424.4	1,513.9
	73.1%	26.9%		43.8%	56.2%		72.0%	28.0%	

¹ The data relating to waste sent for disposal and recovery generated by the Tesmec Group for the year 2024 have been restated following the availability of more accurate data for Tesmec USA Inc. Previously reported as 1,695.1 t for recovery and 2,002.0 t for disposal.

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

Waste sent for recycling (tonnes) ^{1*}	2025			2024 ²		
	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Preparation for reuse	22.2	62.3	84.4	25.5	74.9	100.5
Recycling	65.0	1,084.4	1,149.3	236.8	1,298.2	1,535.0
Other recovery operations	5.7	187.1	192.8	15.4	252.3	267.7
Total	92.8	1,333.8	1,426.6	277.7	1,625.4	1,903.1
Impact of recycling on total waste produced			58.9%			35.4%
Percentage of non-recycled waste			41.1%			64.6%

^{1*} 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.

² The data relating to waste sent for recovery generated by the Tesmec Group for the year 2024 have been restated following the availability of more accurate data for Tesmec USA Inc. These figures were previously reported as 1,695.1 t of non-hazardous waste sent for recovery.

Waste sent for disposal (tonnes) ^{1*}	2025			2024 ²		
	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Incineration	49.9	10.6	60.5	49.2	81.1	130.4
Disposal in landfill	120.4	67.8	188.2	316.7	1,990.4	2,307.1
Other disposal operations	272.4	5.2	277.6	0.3	0.2	0.5
Total	442.6	83.6	526.3	366.3	2,071.7	2,438.0

^{1*} 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.

² The data relating to waste sent for disposal generated by the Tesmec Group for the year 2024 have been restated following the availability of more accurate data for Tesmec USA Inc. These figures were previously reported as 2,002.0 t of non-hazardous waste sent for disposal.

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
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Each stakeholder group has its own 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 with workers' representatives, integrating their views and contributions into the main decision-making phases. The Group promotes an open and transparent communication environment through structured engagement initiatives that encourage constant dialogue and direct participation.

For a more detailed overview of the Group's activities to engage own workforce, please refer to paragraph [4.1.3.2 Stakeholders: interests and expectations](#).

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

ESRS Standards	ESRS 2 SBM-3
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Impacts	
Working conditions	An inclusive working environment that offers stable employment, adequate wages, work-life balance and respect for workers' rights, including social dialogue, freedom of association and collective bargaining for the entire own workforce
Working conditions/Health and safety	Work-related injuries while carrying out business activities.
Equal treatment and opportunities for all	Creating a work environment that respects and values diversity, is non-discriminatory and inclusive, and ensures equal opportunity and fair treatment.

Training and skills development	Technical and general training, which promotes the personal and professional growth of workers.
Other work-related rights	Potential social impacts, limited to certain high-risk geographical areas where Tesmec operates, relating to the failure to respect fundamental human rights (human rights, use of child labour and/or forced labour).

Risks/Opportunities	
Working conditions	Market and technological risks arising from: a) difficulties in finding professionals with specific skills for the business and qualified personnel to support production (quality and efficiency of the production process); b) the potential high employee turnover, resulting in the loss of key personnel with extensive experience and in-house training. Strengthening the reputation and the ability to attract professionals by promoting and implementing corporate policies that guarantee secure employment, adequate wages and social dialogue, as well as Employer Branding initiatives carried out at universities and colleges. This approach could reduce costs associated with employee turnover and improve business continuity, creating more favourable conditions for innovation and the Group's overall economic performance in the medium to long term.
Working conditions/Health and safety	Legal and reputational risks arising from potential work-related injuries on company premises, while travelling for business abroad – particularly to high-risk countries – or during activities relating to the configuration, commissioning, training and use of the Group's products at construction sites specified by the purchaser, or whilst carrying out specific excavation works agreed upon in the contract
Equal treatment and opportunities for all	Creating an inclusive and motivating working environment that fosters collaboration and innovation could help improve the Group's competitive position over time, thanks to its greater ability to develop innovative solutions and processes. This kind of organisational structure could also lead to higher levels of productivity and quality of operations, which could have positive implications for the Group's ability to generate value in the medium to long term.
Training and skills development	Training programmes that strengthen the competitive position in the markets, by a) developing the skills needed to respond to market challenges, technological innovations and regulatory changes, as well as b) providing access to training programmes that are consistent with needs, development plans and career paths.

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 employed by the Tesmec Group were included in the analysis (both 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 [Characteristics of the undertaking's employees](#).

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 [4.1.4.1 Materiality assessment](#). Consultations with employees, suppliers and investors were carried out using the survey described in the same paragraph.

Impacts

To identify the impacts, an analysis was carried out of the Tesmec Group's internal operations in relation to its workers. In particular, initiatives aimed at attracting talent, recruitment policies and processes, developing employment and creating an inclusive and quality working environment to improve employee well-being were considered.

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. A key aspect is 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 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 possibility that Tesmec Group employees can be exposed to work-related injuries represents a potential, albeit negative, risk. To reduce the likelihood of such an impact occurring, the Group continuously monitors potential injuries and occupational diseases and implements preventive and risk management measures.

Potential negative impacts related to the failure to respect fundamental human rights (child labour and/or forced labour) have been identified and limited in relation to certain high-risk geographical areas where Tesmec operates (e.g. Guinea, Ivory Coast). The Group guarantees that these practices are prohibited in all circumstances and in all Group entities, including through the dissemination of the Code of Ethics and the Human Rights Policy.

Risks and opportunities

The Tesmec Group identified two potential risks related to the management of its own workforce. The first risk relates to the difficulty of recruiting and retaining professionals with the highly specialised skills essential for the Group to carry out its activities effectively and remain competitive across all sectors. This can affect operational continuity, capacity for innovation, and quality of results. The second risk, on the other hand, focuses on accidents that could occur during the commissioning of the Group's products or on-site activities.

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 lies in creating a working environment that is inclusive and motivating, with the aim of ensuring that all employees are treated fairly and have equal opportunities. Thanks to improved collaboration and the integration of resources within business processes, these circumstances could lead to an increase in the Group's productivity. 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 and for responding promptly to the technological and regulatory challenges of the market of reference.

4.3.1.2 Impact, risk and opportunity management

Policies related to own workforce

ESRS Standards	ESRS 2 MDR-P, ESRS S1 S1-1
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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 described to its entire workforce.

A single human resources policy has not yet been formalised. The Human Resources Department of Tesmec S.p.A. acts as a coordinator for the corresponding functions of the companies of the Group, which nevertheless retains its own management in relation to 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: **United Nations Guiding Principles on Business and Human Rights**, the fundamental conventions of **the International Labour Organisation (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 2030 Agenda and the United Nations **Sustainable Development Goals (SDGs)**.

The policies adopted are available on the Group's [website](#). The policies and certifications are 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.

The highest levels of management in the organisation of the company that are responsible for implementing the policy are the Chief Executive Officers in collaboration with the Business Unit Directors.

Code of Ethics

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 Group: 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;
- **aD**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. 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 offer training and employment opportunities for young people who have not obtained a high school diploma.

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 [4.4.1.2 Corporate culture and business conduct policies](#).

Sustainability Policy

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.”

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)

In 2025, Tesmec Automation successfully renewed its gender equality certification, achieving a significant increase in its score compared to the previous year, reflecting the collaborative efforts and active involvement of all the

business functions involved. In 2025, Tesmec Rail also obtained the Gender Equality Certification, a recognition that attests to the Group's commitment to promoting equality, inclusion and well-being.

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, 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). 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.

Each Group company also has an occupational disease management system in place in accordance with national requirements, which, despite some differences, are quite similar.

All the Italian companies¹⁴ 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.

In accordance with the regulations in force, occupational hazards that constitute a risk of injury or operational disease 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 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. 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

¹⁴ Tesmec S.p.A., Tesmec Rail S.r.l., Tesmec Automation S.r.l.

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)

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.

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

ESRS Standards	ESRS S1 S1-2
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Employee engagement

The Tesmec Group 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.

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.

The 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.

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 almost every quarter, with the participation of the HR Director and, sometimes, also the CEOs of the company.

In contracts and in the opinions expressed by workers' representatives, the Group adopts an inclusive approach that takes into account the perspectives of those categories of workers who are potentially most vulnerable or at risk of marginalisation. This is achieved through ongoing dialogue with trade union representatives and the adoption of specific measures designed to ensure equal opportunities, active listening and the 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
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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.

Whistle-blowing

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.

Information meetings

At least three 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;
- TOURS, held in the production departments, managed by the delegates in collaboration with their supervisors and with the factory ASPPs.

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
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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.

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 being assessed.

Hiring and retention

During 2025, the Tesmec Group pursued its *talent acquisition* strategy to attract the best resources. As part of the partnerships that have been consolidated with the universities and technical institutes of the Bergamo area, Tesmec participated in numerous event during the year.

Bergamo Job Festival - Once again in 2025, Tesmec had the opportunity to take part in the Bergamo Job Festival, a series of events organised by Confindustria Bergamo at various technical institutes across the region. These events consist of a series of interviews with fifth-year students. In particular, Tesmec visited the ISS Archimede in Treviglio, the Istituto Betty Ambivere in Presezzo, the IISS Majorana in Seriate and the ITIS Paleocapa in Bergamo.

Job Day Confindustria - Tesmec took part in Job Day, an initiative organised by Confindustria through the Patto Territoriale Meccatronica – Bando Disoccupati (Mechatronics Regional Partnership – Unemployed Persons Notice), aimed at those seeking new employment opportunities: the unemployed, the working poor, young people under 30 (including NEETs) and asylum seekers.

University of Bergamo - Thanks to its long-standing relationship with the University of Bergamo, Tesmec had the opportunity to welcome a delegation of students enrolled on the Master's degree programme in International

Marketing Management & Digital Context, along with their colleagues from TH Mittelhessen in Frankfurt, to its Grassobbio site for an educational visit and a guided tour of the production plants.

Also as part of its partnership with the University of Bergamo, in November Tesmec had the pleasure of hosting a group of Chinese professionals (directors, deputy directors and general managers), who had come to Italy to take part in a course organised by the University of Bergamo's School of Advanced Studies, focusing on technology and innovation. The decision to visit Tesmec was no coincidence; the group is renowned worldwide for its pioneering work in technological innovation in the energy, sustainable mobility, and infrastructure sectors.

Through these initiatives, Tesmec continues to invest in its ties with the local community, strengthening its ability to identify and attract new talent. The costs incurred by Tesmec S.p.A. in 2025 for participation in Career Days amounted to € 5,000.

As part of retention strategies, in 2025 Tesmec launched a new **Corporate Onboarding** project designed to support new employees as they join the company. Through dedicated sessions, testimonials and shared materials, Tesmec aims to: a) facilitate effective integration into the workplace; b) convey a sense of commitment and the corporate vision; c) create a welcoming experience that is human, authentic and engaging.

For new hires, in-depth sessions on Tesmec's various business areas are organised on a quarterly basis.

Welfare and Working Environment

The Group continued the initiatives already undertaken in previous periods to ensure a good work-life balance.

- **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, Tesmec works to promote a safe and healthy workplace for all workers.

Tesmec's growth and development strategies include promoting the workers' well-being by promoting work-life balance. For this reason, the Group carried out 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 and the risks related to smoking.

In this perspective, in continuity with the previous years, the following initiatives were promoted in 2025 in favour of all personnel of Italian companies:

- flexible working tools, such as multi-week working hours, flexible working hours on entry/exit, flexibility, smart working 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;
- bonuses for marriage, birth of a child, graduation;
- company seniority and merit bonus.

WHP Workplace Health Promotion - Consistent with 2024, the participation of the company in the WHP (Workplace Health Promotion) project continued in 2025, 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 formalised 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 strengthened. In addition to the minimum standard, the implementation of best practices in the thematic areas not considered a priority may also be assessed from the first year onwards. 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 2025 with a special focus on Italian companies, but also followed up in foreign companies through the promotion of dedicated initiatives:

- the Timeswapp company welfare platform was also used to promote a service in collaboration with the Humanitas Group in Bergamo: "Medical Care" and a range of psychological support services has been introduced;
- practices to encourage the informed and responsible adoption of healthy eating habits;
- practices to encourage an active lifestyle;
- practices of work-life balance, welfare, corporate social responsibility;
- practices to reduce food waste;
- practices involving the adoption of preventive behaviour.

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. 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 and experiences.
- **Leisure and Well-being:** Travel, gym memberships, beauty centres and spas, cinema and theatre tickets, cultural and recreational activities, right through to direct access to private healthcare.
- **Education:** A service dedicated to children and their education. This applies to schools of all types and levels, from nursery schools to universities, summer and winter camps, school canteens, before- and after-school care, and even the cost of school books.
- **Mobility:** Welfare services cover local, regional and inter-regional public transport, including trains, buses and the metro.
- **Additional benefit:** Employees can choose to make extra contributions to their pension fund.
- **Health and healthcare:** The company welfare scheme can take the form of supplementary health packages, or employees may claim reimbursement for medical expenses.
- **Care for family members:** Welfare services can help cover the costs of caring for elderly or dependent family members.

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

The 2025 Training Plan was approved by the HR Director and the QHSE Director. For authorised courses, plans financed by Fondimpresa and/or Fondirigenti and Events proposed by Confindustria such as Gender equality for Tesmec Automation and Tesmec Rail, 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 and 2025, the round-table discussions continued and a new topic was added: the System and Software Development Lifecycle.

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, Artificial Intelligence (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. During 2025, the costs incurred by the Tesmec Group for cybersecurity training amounted to € 25,900.

As part of the certification process for gender equality in accordance with the UNI/PdR 125:2022 guideline, Tesmec Automation provided general training for the entire company population and specific training for members of the Gender Equality Committee during 2025, in accordance with the requirements set out in the regulations and standards of reference. The training activity aimed to raise awareness of the principles of equality and inclusion, providing practical guidance on how to prevent discriminatory behaviour and ensure that equal opportunities are upheld within the organisation. This initiative is a key component of the management system designed to promote a fair working environment that complies with the regulations in force. In 2025, Tesmec Rail also obtained certification for gender equality, launching similar training initiatives for Committee members and awareness-raising activities for all employees.

In 2025, the Group continued **On-the-job training courses** in the production area, a type of experiential learning used in particular for jobs requiring the use of special equipment or machinery. This type of 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 provided on site to operators by specialised in-house technicians.

Internal training makes it possible to transfer specific skills that are aligned with the culture and objectives of the organisation, ensuring consistency and immediate applicability. It promotes the sharing of real-life experiences, strengthens the sense of belonging, creates constant learning environment, enhances internal know-how and motivates employees, turning knowledge into a competitive advantage. A good example of this is the "BU Energy Academy", which organises presentation sessions and specialist training for Group personnel. The training material is also made available via the company intranet, to ensure wider distribution.

In 2025, the Italian companies Tesmec S.p.A., Tesmec Rail S.r.l. and Tesmec Automation S.r.l. incurred costs of € 120,701 for training courses provided to employees, net of the CyberGuru module.

Since 2025, the HR Department has undertaken to record in-house training carried out at Tesmec in the HR management system, including, for example, in-house technical training, onboarding of new hires, etc.

Health and safety

The **Tesmec Group** adopts an integrated approach to ensuring the improvement of safety conditions in its working environments and the creation of a corporate culture focused on prevention. To this end, Tesmec develops and adopts detailed **procedures** covering all aspects of safety, from the use of machinery and equipment to the management of risks specific to each production context. The procedures 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.

A key element is the dissemination of **standardised procedures and operating instructions** across all factories, in order to ensure consistency and clarity in safety practices. 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 **adoption of hazard reporting and accident management systems**. All employees are encouraged to report risk situations immediately. 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.

Each report is subject to in-depth analysis to identify causes and define the necessary corrective actions. An accident management system was put in place to collect and analyse accident data, identify trends and identify areas for improvement.

Ongoing and targeted training programmes are available to 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 constant 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.

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
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Working conditions - Training and skills development

The Tesmec Group is committed to achieving the 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.

The objectives described were defined in a series of strategic meetings involving Group Management, the Human Resources (HR) departments, 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 corporate policies that guide the implementation of objectives, the preparation of analysis reports and regular meetings, in order to identify progress and any corrective solutions.

Material topic	Target	Actions	KPI/UoM	Base year 2024	2025	Target 2030
Working conditions	Promoting and fostering a positive, fair and stimulating working environment, focused on well-being and work-life balance	Designing and implementing Talent Acquisition and Employer Branding strategies to attract the best candidates	Percentage of positive turnover	11.0%	23.1%	12%
Training and skills development	Providing employees with new technical knowledge and skills, improving individual and collective performance, and increasing the efficiency and quality of their work, and increase retention	Strengthening on-the-job technical 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, as well as providing specific training on these topics Collaborating with institutions, schools and universities for training purposes	Average hours of training per employee	7.2	15.2 (of which 3.6 on-the-job training)	14

Talent Acquisition and Employer Branding

Employment development, through the implementation of Talent Acquisition and Employer Branding initiatives, aims to attract talent and skilled professionals to support and consolidate 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.

Well-being and quality of professional life

The creation and maintenance of **a working environment based on well-being and quality of professional life** aims to ensure a work-life balance for employees. The 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. In 2025, Tesmec strengthened company welfare measures by introducing additional leave to promote work-life balance, offering bonuses for particular events in the life of employees and introducing new services for all.

The 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. 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.

Technical training

The promotion and consolidation of employee skills represent an additional strategic priority, pursued through **technical and cross-functional training** programmes and, more specifically, through training initiatives designed to encourage the induction and integration of new hires, as well as mandatory health and safety training.

Over the years, Tesmec's training programme has been continuously developed and consolidated in order to meet 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.

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. In 2025, on-the-job training amounted to an average of 3.7 hours per employee per year.

The Group provides training to its entire workforce on equal opportunities and diversity.

Health and safety

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". These areas of intervention are monitored and the opportunity to introduce specific targets for these aspects will be assessed in the coming financial years.

Material topic	Target	Actions	KPI/UoM	Base year 2024	2025	Target 2030
Health and safety	Creating and maintaining 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	-	25.4	5.4	20

Safe working environments

The aim is to create and maintain safe working environments and minimise the number of injuries and the resulting days of absence. 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 reference threshold of this index is 40 (INAIL reference base for the indices taken individually). Tesmec has set itself the 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

Characteristics of the undertaking's employees

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-6
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Employees

As at 31 December 2025, the Tesmec Group employed 919 people. The following workforce figures are calculated with reference to the number of employees at the end of each period (HC/Head Count).

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.

The reconciliation between the total number of employees reported and the most relevant financial statement item consisting of personnel costs, is explained in Chapter 3, "[Group economic and financial results and performance](#)", of this document.

Total number of employees by gender/type of contract	2025			2024*			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	110	518	628	112	512	624	110	515	625
Open-term	108	510	618	108	505	613	106	504	610
Fixed-term	2	8	10	4	7	11	4	11	15
France	7	31	38	17	106	123	19	117	136
Open-term	7	29	36	17	105	122	17	115	132
Fixed-term	-	2	2	-	1	1	2	2	4
USA	9	58	67	11	57	68	12	77	89
Open-term	9	58	67	11	57	68	12	77	89
Fixed-term	-	-	-	-	-	-	-	-	-
Rest of the world	20	166	186	22	151	173	19	157	176
Open-term	16	109	125	17	117	134	18	131	149
Fixed-term	4	55	59	5	34	39	1	26	27
Total	146	773	919	162	826	988	160	866	1,026
Open-term	140	706	846	153	784	937	153	827	980
Fixed-term	6	65	71	9	42	51	7	39	46

* The 2024 data relating to the type of contract of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 12 women and 58 men were stated for Tesmec USA Inc. for 2024.

The commitment to establishing stable and lasting employment relationships is confirmed by the high percentage of employees hired with an open-term labour contract (92.1% of the total). This figure shows a slight decrease compared with 2024 (94.8%), against a moderate increase in the number of temporary workers, who in 2025 accounted for 7.7% of the total, compared with 5.2% the previous year.

This trend can be attributed to the nature of certain major projects, which required a temporary increase in personnel numbers in order to be managed.

It should also be noted that, during 2025, the Tesmec Group employed two employees on flexible working hours (on-call contracts) at its subsidiary based in New Zealand.

As in the previous year, 97.7% of employees were full-time in 2025, while 2.3% were on part-time contracts.

Total number of employees by type of contract/gender	2025			2024*			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	110	518	628	112	512	624	110	515	625
Full-Time	97	514	611	98	508	606	98	509	607
Part-time	13	4	17	14	4	18	12	6	18
France	7	31	38	17	106	123	19	117	136
Full-Time	6	31	37	16	106	122	18	117	135
Part-time	1	-	1	1	-	1	1	-	1
USA	9	58	67	11	57	68	12	77	89

Full-Time	9	58	67	11	57	68	12	77	89
Part-time	-	-	-	-	-	-	-	-	-
Rest of the world	20	166	186	22	151	173	19	157	176
Full-Time	20	163	183	22	147	169	19	155	174
Part-time	-	3	3	-	4	4	-	2	2
Total	146	773	919	162	826	988	160	866	1,026
Full-Time	132	766	898	147	818	965	147	858	1,005
Part-time	14	7	21	15	8	23	13	8	21

* The 2024 data relating to the type of contract of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 12 women and 58 men were stated for Tesmec USA Inc. for 2024.

Employee Turnover

During 2025, the Group's employment decreased by 6.9%, bringing the figure to 919 at the end of 2025. During the year, the Tesmec Group continued to work 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 constant 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 consolidation of Teamworking and Networking.

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

Employee Turnover	Positive employee turnover - employee hires			Negative employee turnover - terminations		
	2025	2024	2023	2025	2024	2023
Age group						
<30	50.3%	19.7%	51.9%	66.2%	21.3%	29.4%
30-50	82.8%	11.2%	20.4%	6.0%	13.7%	13.7%
>50	5.8%	3.8%	12.9%	71.1%	12.6%	17.9%
Gender						
Man	21.0%	10.9%	22.2%	20.4%	15.5%	16.7%
Woman	20.4%	12.5%	23.6%	0.6%	11.3%	12.5%
Geographic area						
Italy	9.8%	8.6%	18.3%	9.1%	8.8%	9.6%
France	35.0%	5.9%	11.6%	4.1%	15.4%	13.0%
United States	16.2%	5.6%	44.3%	17.6%	29.2%	31.6%
Rest of the world	65.3%	26.1%	34.7%	56.6%	28.4%	32.9%
Total	23.1%	11.0%	22.4%	17.4%	14.8%	16.1%

Both the positive turnover rate, which rises from 11.0% in 2024 to 23.1% in 2025, and the negative turnover rate, which increases from 14.8% in 2024 to 17.4% in 2025, are up on the previous year. These changes are due to the nature of several projects launched in 2025, which required temporary increases in resources at specific times of the year, as well as to Groupe Marais SAS no longer being included in the consolidation area. Analysing the distribution by age group, there is a higher incidence of positive turnover among employees aged between 30 and 50 (82.8%), whilst negative turnover is more concentrated in the over-50 age group (71.1%).

The following table shows the figures for new hires and departures for the years 2023, 2024 and 2025.

New employee hires	Italy			France			USA*			Rest of the World		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Age group												
<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	1	2	3	3	27	30
>50	-	2	2	-	1	1	1	1	2	-	4	4
Total 2024	10	44	54	2	6	8	2	3	5	5	41	46
<30	6	21	27	2	5	7	-	2	2	8	29	37
30-50	3	24	27	4	18	22	-	4	4	6	61	67

>50	-	7	7	3	11	14	2	3	5	-	9	9
Total 2025	9	52	61	9	34	43	2	9	11	14	99	113

* The 2024 data relating to the type of contract of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 3 women and 4 men were stated for Tesmec USA Inc. for 2024.

Terminations	Italy			France			USA			Rest of the World		
Age group	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	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 2023	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 2024	8	47	55	4	17	21	3	23	26	3	47	50
<30	2	7	9	-	1	1	-	2	2	5	23	28
30-50	7	26	33	-	-	-	1	3	4	8	50	58
>50	2	13	15	2	2	4	3	3	6	3	9	12
Total 2025	11	46	57	2	3	5	4	8	12	16	82	98

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 2025, trying to reinvest in human capital especially through a strong replacement action.

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
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The Tesmec Group also relies on non-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 2025, the number of non-employees of the Group was 10, the majority of whom were **temporary workers and workers with coordinated and continued collaboration contracts**. The use of these 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 2025, the number of non-employees decreased by 56.5% compared to 2024, maintaining a trend in line with the previous year. This trend reflects the decision, already taken some time ago, to reorganise the corporate structure (particularly that of the Italian companies) in line with business needs, 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	2025			2024			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Temporary workers	-	4	4	1	15	16	7	35	42
Trainees	2	-	2	-	1	1	2	2	4
Coordinated collaboration contracts	-	4	4	-	2	2	-	2	2
Other (Workers on temporary visas, contractors, self-	-	-	-	-	4	4	-	6	6

employed workers, subcontractors)									
Total at the end of the period/by gender	2	8	10	1	22	23	9	45	54

Collective bargaining coverage and social dialogue

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-8
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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) applies to the employees of Tesmec S.p.A., Tesmec Automation and Tesmec Rail, whilst the National Collective Labour Agreement for Industry Executives applies to managers. On the other hand, the employees of East Trenchers are covered by the Building Industry Collective Agreement. The French company is covered by the National Collective Labour Agreement for the metalworking industry, whilst the New Zealand company is covered by the sector Trade Union's Collective Labour Agreement. Other countries, such as Ivocry Coas and Guinea, are covered by the 1977 Convention Collective Interprofessionnelle and the 2025 Convention collective des mines et carrières, respectively.

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.

The total percentage of employees covered by collective bargaining agreements in 2025 is 79.7%. 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: Africa 72.7%, Oceania 6.1%. There is no collective bargaining in America, Asia and the Middle East.

Social dialogue

The industrial relations that the Group maintains are based on dialogue with trade unions in compliance with the regulations in force. In any case of company reorganisation or 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, 43.0% of employees are covered by the workers' representatives. In particular, at the Tesmec S.p.A. parent company, 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 Marais Cote d'Ivoire SARL there are no trade unions, but the workers are represented by the occupational safety and health inspector when necessary. Tesmec France has started the process of electing representatives to establish the Comité Social et Economique (CSE). Compared with the European Economic Area, employee coverage stands at 58.4%.

The trade union relations take the form of engagement activities, such as meetings between the unions and the company and its employees. Among the activities carried out by Tesmec S.p.A. in 2025, particular mention should be made of the renewal of the second-level agreement for the three-year period from 2025 to 2027, which regulates the company's performance bonus; this has increased the amounts of the holiday bonus and introduced new company welfare initiatives.

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
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84,1% of the personnel are male. This figure is affected by the characteristics of the activities and the nature of the business, which requires the presence of a high number of blue collar workers, historically made up predominantly of men. Women are mainly present in administrative offices. Under no circumstances should this characteristic be regarded as a discriminatory factor. 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.

The professional category most represented is that of blue collar workers (47.1% of the total). White collar workers account for 44% of the total, middle managers 5.7% of the total and managers 3.3% of the total. In order to ensure harmonisation of these professional categories, given the Group's presence in various countries, it is specified that the term "Managers" refers to managers with functional responsibilities, "Middle Managers" refers to middle managers who coordinate work teams, "White collar workers" refers to those who carry out office-based tasks, and "Blue collar workers" refers to workers who perform manual tasks.

61.9% of the Group's employees belong to the age group between 30 and 50 years, 22.6% of employees are over 50 years of age and 15.5% of employees are under 30 years of age.

Employee diversity	2025			2024*			2023		
Employees by category/gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	4	26	30	4	27	31	3	25	28
Middle managers	7	45	52	11	49	60	10	49	59
White collar	116	288	404	127	296	423	130	299	429
Blue collar workers	19	414	433	20	454	474	17	493	510
Total	146	773	919	162	826	988	160	866	1,026
Employees by category/gender %	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0.4%	2.8%	3.3%	0.4%	2.7%	3.1%	0.3%	2.4%	2.7%
Middle managers	0.8%	4.9%	5.7%	1.1%	5.0%	6.1%	1.0%	4.8%	5.8%
White collar	12.6%	31.3%	44.0%	12.9%	30.0%	42.8%	12.7%	29.1%	41.8%
Blue collar workers	2.1%	45.0%	47.1%	2.0%	46.0%	48.0%	1.7%	48.1%	49.7%
Total	15.9%	84.1%	100.0%	16.4%	83.6%	100.0%	15.6%	84.4%	100.0%

* The 2024 data relating to employee diversity of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 163 women and 827 men were stated for 2024.

Employee diversity	2025			2024*			2023		
Employees by age group/gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
Up to 29 years	29	113	142	31	114	145	37	146	183
From 30 to 50 years	89	480	569	95	506	601	91	514	605
Over 50 years	28	180	208	36	206	242	32	206	238
Total	146	773	919	162	826	988	160	866	1,026
Employees by age group/gender %	Women	Men	Total	Women	Men	Total	Women	Men	Total
Up to 29 years	3.2%	12.3%	15.5%	3.1%	11.5%	14.7%	3.6%	14.2%	17.8%
From 30 to 50 years	9.7%	52.2%	61.9%	9.6%	51.2%	60.8%	8.9%	50.1%	59.0%
Over 50 years	3.0%	19.6%	22.6%	3.6%	20.9%	24.5%	3.1%	20.1%	23.2%
Total	15.9%	84.1%	100.0%	16.4%	83.6%	100.0%	15.6%	84.4%	100.0%

* The 2024 data relating to employee diversity by age group/gender of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 163 women and 827 men were stated for 2024.

Employee diversity	2025				2024*				2023			
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	-	15	15	30	-	17	14	31	-	14	14	28
Middle managers	-	33	19	52	-	32	28	60	-	35	24	59
White collar	78	254	72	404	78	274	71	423	96	267	66	429
Blue collar workers	64	267	102	433	67	278	129	474	87	289	134	510
Total	142	569	208	919	145	601	242	988	183	605	238	1.026
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	0.0%	1.6%	1.6%	3.3%	0.0%	1.7%	1.4%	3.1%	-%	1.4%	1.4%	2.7%
Middle managers	0.0%	3.6%	2.1%	5.7%	0.0%	3.2%	2.8%	6.1%	-%	3.4%	2.3%	5.8%
White collar	8.5%	27.6%	7.8%	44.0%	7.9%	27.7%	7.2%	42.8%	9.4%	26.0%	6.4%	41.8%
Blue collar workers	7.0%	29.1%	11.1%	47.1%	6.8%	28.1%	13.1%	48.0%	8.5%	28.2%	13.1%	49.7%
Total	15.5%	61.9%	22.6%	100.0%	14.7%	60.8%	24.5%	100.0%	17.8%	59.0%	23.2%	100.0%

* The 2024 data relating to employee diversity by category and age group of the Tesmec Group has been restated following an improvement in data collection for Tesmec USA Inc. Previously, 603 employees aged between 30 and 50 were stated for 2024.

In 2025, as in previous years, there were no cases of discrimination.

Social protection

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-11
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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 (INPS and INAIL) against events that could result in a loss of income. In addition to the public services, Tesmec has taken out insurance policies for all its Italian employees that go beyond the mandatory policies.
Tesmec France SAS	Under the French law, employees are entitled to five weeks of paid leave per year. Holidays accrue on a monthly basis and are paid directly by the company to the employee upon request. In the specific case of Tesmec France, 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, marriage and unemployment, in accordance with French legislation and the various competent authorities (e.g. Sécurité Sociale, Caisse d'Allocations Familiales, Pôle Emploi ecc.).
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.
000 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.
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 Group 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
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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.

	2025			2024			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
% Employees with disabilities/Total employees	2.7%	1.7%	1.8%	1.2	2.3%	2.1%	1.9%	1.8%	1.9%

Training metrics and skills development

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-13
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The following table shows the average training hours of the Tesmec Group, broken down by type of contract and gender.

Average hours of training per employee	2025			2024			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0.9	7.9	7.0	3.0	4.7	4.5	1.6	3.1	3.0
Middle managers	4.0	7.9	7.4	2.5	4.5	4.1	4.3	5.1	5.0
White collar	13.1	13.6	13.5	6.6	10.3	9.2	12.0	9.9	10.5
Blue collar workers	3.3	11.1	10.7	3.0	6.6	6.4	8.4	7.6	7.6
Total	11.0	11.7	11.6	5.8	7.6	7.4	10.9	8.1	8.6

For 2025, the Tesmec Group focused on on-the-job training, introducing a system to track the number of hours of in-house training delivered by in-house trainers. Some training is provided on a regular basis, rather than being repeated every year or given to the same employees, to ensure that all personnel can be adequately trained according to the needs of the business.

These factors, together with improved data reporting by certain Group companies, the updating of expiring courses and the introduction of new training modules, led to an increase in the average number of training hours per employee, from 7.4 in 2024 to 11.6 in 2025, up by 55.2%.

The Tesmec Group also provides training to non-employees of the Group. In particular, an average of 24.4 hours of training was provided to each worker in 2025, up by 13.5% compared to 2024. These are not exclusively 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 formalised training plan for each business 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 2025 on the basis of the following macro-areas: digital/ICT - Language area - Relationship and personal development - Development of technical and technological skills related to the role/task - Functional safety certification courses - Courses on new industry regulations and standards.

Performance reviews

Periodic performance reviews are organised within the Group for Tesmec S.p.A., Tesmec Automation S.r.l., Tesmec Rail S.r.l. and Tesmec Energy. The performance review is divided into two types of assessments: the Professionalism Assessments, regulated by the supplementary agreement of 22 September 2025 for Tesmec SpA and also applied to Tesmec Rail and Tesmec Automation; 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, 55.2% of the Group's total workforce was assessed (62.3% of women and 53.8% of men), of which 36.7% were managers, 19.2% middle managers, 65.1% white collar and 51.5% blue collar.

Employees who received regular performance reviews	2025			2024			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	50.0%	34.6%	36.7%	50.0%	33.3%	35.5%	66.7%	48.0%	50.0%
Middle managers	0.0%	22.2%	19.2%	9.1%	24.5%	21.7%	10.0%	14.3%	13.6%
White collar	68.1%	63.9%	65.1%	59.4%	64.3%	62.8%	40.8%	37.8%	38.7%
Blue collar workers	52.6%	51.4%	51.5%	45.0%	44.3%	44.3%	41.2%	28.6%	29.0%
Employees assessed/by gender (%)	62.3%	53.8%	55.2%	54.0%	49.9%	50.6%	39.4%	31.5%	32.7%

Health and safety metrics

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-14
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The number of employees covered by health and safety management systems represents 70.1% of the Group.

For more information on the Management Systems adopted by the Group companies, please refer to chapter [Policies and management systems](#).

Injuries

The main types of injury are related to manual handling of loads and falls from height during work activities.

In 2025, the number of injuries fell by 77.3% compared to 2024, thanks to the measures taken and the practices implemented by the Group. There were 5 injuries to employees, 3 of which occurred in Italy and 2 in New Zealand. No accidents involving non-employees were recorded.

Work-related injuries - employees	Units	2025	2024	2023
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		-	-	1
Other accidents		5	21	22
Accidents while travelling to/from work		-	1	1
Total accidents recorded		5	22	24
Total hours worked	h	1,664,861	1,787,140	1,854,505
Days of absence due to injuries	No.	108	587	693
Injury rate				

Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)			
Work-related fatalities	-	-	-
Serious accidents	-	-	0.54
Other accidents	3.00	11.75	11.86
Total accidents recorded	3.00	12.31	12.94
Injury Severity Index (days without injuries/hours worked * 1,000)			
Average number of days lost due to injury per 1,000 days worked	0.06	0.33	0.37

Injuries to non-employees of the Group are also reported below.

Work-related injuries - other workers	Units	2025	2024	2023
Accidents at work	No.			
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	-	-
Accidents while travelling to/from work		-	-	-
Total accidents recorded		-	-	-
Total hours worked	h	7,943	51,282	95,605
Days of absence due to injuries	No.	-	-	-
Injury rate				
Injury Frequency Rate (No. of injuries/hours worked x 1,000,000)				
Work-related fatalities		-	-	-
Serious accidents		-	-	-
Other accidents		-	-	-
Injury Severity Index (days without injuries/hours worked * 1,000)				
Average number of days lost due to injury per 1,000 days worked		-	-	-

It should be noted that there were no injuries or fatalities involving external workers on company premises.

Occupational diseases

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 the Group that an investigation into the occupational disease has started; 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 integrate any corrective actions or to amend the risk assessment documents.

In 2025, 1 occupational disease associated with shoulder pain was confirmed at the French subsidiary Tesmec France, resulting in 86 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
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89.3% of the Group's employees (14.6% of male employees and 74.8% of female 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 2025, 55 employees took advantage of this leave, of whom 17 were women and 38 were men.

Family leave (HC)	2025			2024*		
	women	men	total	women	men	total
No. of employees entitled to family leave	134	687	821	148	743	891
No. of employees who took family leave	17	38	55	14	47	61
Percentage of employees who took family leave out of those entitled to it	12.7%	5.5%	6.7%	9.5%	6.3%	6.8%
Percentage of employees who took family leave out of the total number of employees	11.6%	4.9%	6.0%	8.6%	5.7%	6.2%

*The 2024 data relating to family leave of the Tesmec Group has been restated following an improvement in data collection. Previously, 145 women and 715 men entitled to family leave were stated for 2024.

Adequate wages and remuneration

ESRS Standards	ESRS 2 MDR-M, ESRS S1 S1-10, ESRS S1 S1-16
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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 2025, the ratio of the annual total remuneration of the person receiving the maximum remuneration to the annual median remuneration of all employees including those who terminated during the year (excluding the aforementioned person) was 9.3.

Gender pay gap

The gender pay gap indicator shows an 11.5% difference in 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. Gross remuneration is calculated by adding up all remuneration paid in the year, including basic salary, paid leave 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 (%)	2025	2024*
Gender pay gap	11.5%	12.7%

* The 2024 figure for the Tesmec Group's gender pay gap has been restated following a change in the data collection method. Previously, the figure was stated as 3.1%.

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 Training and skills development Employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity
	Other work-related rights	Child labour Forced labour

4.3.2.1 Strategy

Interests and views of stakeholders

ESRS Standards	ESRS 2 SBM-2
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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 adopted a Supplier Code of Ethics, which sets out requirements on labour standards and human rights. The Group carries out several audits of its strategic suppliers to verify compliance with the required social standards.

The Tesmec Group has not activated 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
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Impacts	
Working conditions	Working conditions along the value chain (and in particular the supply chain) can be characterised by situations where human rights and other fundamental rights of workers and individuals are not respected (working hours – inadequate wages – social dialogue – freedom of association – health and safety).
Equal treatment and opportunities for all	Circumstances and working environments where equal treatment and equal opportunities are not guaranteed (human rights).
Other work-related rights	Failure to protect workers' rights and ensure decent working conditions, free from all forms of forced and child labour.

Risks/Opportunities	
Working conditions	Legal and reputational risks arising from the possibility that, along the value chain, situations may arise where workers' rights are not respected – including working hours, adequate wages, work-life balance, health and safety, social dialogue and freedom of association – with potential repercussions for the Group.
Equal treatment and opportunities for all	Legal and reputational risks arising from the possibility that incidents of discrimination among workers may occur along the value chain due to inadequate measures and protocols for the protection of diversity and equal opportunities, with potential repercussions for the Group.
Other work-related rights	Legal and reputational risks arising from the possibility that, along the value chain, suppliers or customers may be sanctioned for failing to adequately manage workers' rights, particularly with regard to forced or child labour, resulting in the termination of their relationships with the Group.

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 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 [4.1.4.1 Materiality assessment](#). Consultations with employees, suppliers and investors were carried out using the survey described in the same paragraph.

Impacts

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 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 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; 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.

Risks and opportunities

The Tesmec Group has 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.

The Tesmec Group is aware that in some of the countries in which its companies operate, such as Guinea and Ivory Coast, 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 Supplier 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.

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
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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 levels of management in the organisation of the company that are responsible for implementing the policy are the Chief Executive Officers 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 requires that workers receive adequate training to make them aware of the risks related to their work.

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 [Policies related to own workforce](#).

Processes for engaging with value chain workers about impacts

ESRS Standards	ESRS S2 S2-2
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The Tesmec Group did not implement a process or specific instruments for the direct involvement of workers in the value chain in relation to impacts. Tesmec is currently assessing this potential course of action, in line with its commitment to the responsible and sustainable management of the value chain and to strengthening the processes for monitoring working conditions throughout the entire production cycle, with the aim of ensuring greater alignment with international standards.

Processes to remediate negative impacts and channels for value chain workers to raise concerns

ESRS Standards	ESRS S2 S2-3
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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
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The Tesmec Group pays particular attention not only to the quality of products, but also to the people who use them and the environment in which they are used, offering services designed to ensure safety, optimal performance and reduced operating costs.

Tesmec Training Programme - 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 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, 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.

With reference to the workers of the Group's suppliers, the commitment is made explicit in the 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, no precise information is available 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
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The Tesmec Group has not currently set any quantitative, measurable targets in relation to the topic of "Workers in the value chain". 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	Confidentiality
	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
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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 constant 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 customers, the Group aims to better understand their expectations and needs.

Respect for human rights is a fundamental element of the strategic framework. Tesmec 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 [4.1.3.2 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	Potential impacts on privacy (processing of sensitive IT content) and on IT system security (potential data breach).
Personal safety of consumers and/or end-users	Impacts (accidents and other incidents) on occupational health and safety (end users of Tesmec products and machinery) resulting from the marketing and use of products that do not comply with customer requirements/specifications and the relevant regulations.
Risks/Opportunities	
Personal safety of consumers and/or end-users	Legal, market and reputational risks arising from potential accidents / cases where products are marketed or used in a manner that does not comply with customer requirements / specifications and the relevant regulations, including as a result of inadequate quality controls.
	Technological and market risks related to the potential inability to meet complex and specific customer requirements, leading to difficulties in maintaining quality and safety standards.
	The adoption of high quality and safety standards in the Group's products and solutions could strengthen the protection of end users and meet the technical requirements of various markets. In contexts characterised by stringent regulations and high safety standards, this approach could help maintain customer confidence and create more favourable conditions for the Group's competitiveness, particularly given the greater difficulties faced by new operators in meeting similar requirements.

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.

The identified impacts, risks and opportunities concern 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.

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.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter [4.1.4.1 Materiality assessment](#). Consultations with employees and investors were carried out using the survey described in the same paragraph.

Impacts

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.

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 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.

Risks and opportunities

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 analysis carried out showed that Tesmec is exposed to risks arising from potential difficulties in ensuring that products placed on the market comply fully with the specifications requested by customers, as well as with applicable regulatory requirements and technical standards. Failure to meet complex and bespoke requirements may exacerbate these risks, leading to difficulties in maintaining product quality, reliability and safety standards. Any non-compliance, accidents or improper use of the products could lead to legal disputes, damage the company's reputation and result in a loss of market confidence, thereby affecting the company's overall competitiveness in the market.

However, the identified opportunity concerns the application of high-quality standards to Tesmec's products, which could enhance customer protection and meet the necessary requirements, particularly in contexts characterised by strict regulations that could pose greater challenges for the Group's competitors.

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. In this regard, 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.

In the 2025 reporting period, as in the previous years 2024 and 2023, 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.

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 an adequate 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. and Tesmec USA, 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.

Human rights policy

The Tesmec Group is 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 adopts 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 improvement of the solutions offered. The Group 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
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The Tesmec Group implemented policies to ensure compliance with the Regulation on the protection of personal data (Regulation (EU) no. 2016/679 on General Data Protection Regulation - GDPR).

The GDPR is intended to ensure that the processing of personal data carried out by the company complies with the principles of lawfulness, correctness, transparency, non-excessiveness and protection of confidentiality. With a global presence, directly and through its agents, and a complex company structure in different sectors, with more than 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.

Following the introduction of the "General Data Protection Regulation" (GDPR), Tesmec activated a process of review of internal processes to comply with the new regulations. A complete mapping of personal data processing was completed by 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. 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
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Engaging with and listening to customers

Engaging with and listening to customers intends to ensure 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 products and services in order to guide its technology development policy and 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. In response to the market's growing sensitivity to environmental issues, Tesmec is progressively moving its design and production towards more sustainable technologies. The adoption of responsible practices, transparency in communication and the 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 heart of Tesmec's offer and communications at industry events in 2025, with the aim of consolidating a growth strategy focused on a digital and responsible energy transition.

During 2025 Tesmec took part in major events in the field of innovation, such as the 34th edition of **Bauma**. By attending international mining trade fairs, from Mining Indaba (3–6 February, Cape Town, South Africa) to Expomin (22–25 April, Santiago, Chile), the Group was able to present its technologies dedicated to "smart mining".

In February, Tesmec took part in BIG 5 Construct Saudi in Riyadh, a key event for presenting advanced solutions in the construction sector that combine productivity, reliability and reduced CO₂ emissions.

Finally, the Group's participation in The Utility Expo in Louisville, KY, USA, in October has strengthened its position in the North American market, in line with its growth strategy in sectors with the greatest potential, including telecommunications, smart grids, renewable energy and underground infrastructure.

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. 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.

In July 2025, Tesmec took part in Intellimech's IAB (Industrial Advisory Board), organised by **Consorzio Intellimech** at the **Confindustria Bergamo Auditorium in Kilometro Rosso**. During the event, which provided an important opportunity for stakeholders from the region's industrial, academic and technological sectors to engage in dialogue, a number of projects were presented to continue the Consortium's activities in 2026. The Tesmec Group presented a strategic project focused on the transition to electric and hybrid power trains. The project aims to analyse the technological, cultural and market barriers that hinder the dissemination of sustainable energy solutions, with a particular focus on commercial vehicles.

During 2025, the Group engaged 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
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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 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 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
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The Tesmec Group is committed to protecting the health and safety of the end-users of its equipment.

2025 was a significant year for the Group in its transition to the new **Regulation (EU) 2023/1230**, the regulatory framework that replaces the long-standing Machinery Directive 2006/42/EC. Although this legislative change will become mandatory for the marketing of products from 20 January 2027, it requires an immediate phase of technical and design adaptation, which the Group has chosen to tackle proactively as early as the 2025 financial year, by launching a comprehensive programme of gap analysis and adaptation of its design and production processes.

The main elements that characterise the activities carried out include:

- **High-level specialist training** - A series of targeted training sessions has been organised for the technical departments across all business units. These sessions were led by independent external experts who are leaders in the field of machine safety, to ensure compliance with the latest technical and regulatory interpretations.
- **Focus on Innovation** - The new Regulation introduces strict requirements on cutting-edge topics such as the cybersecurity of control systems, the integration of artificial intelligence and the management of risks related to autonomous machines. In 2025, Tesmec began incorporating these criteria into its development protocols, focusing on solutions that are "Safe by Design". The Tesmec Group regards innovation and digital transformation as strategic factors in the development of advanced and sustainable technological solutions, investing in R&D (research and development) to promote digitalisation, infrastructure efficiency, and high-quality, environmentally friendly products for its customers.
- **Digitalisation of documentation** - In line with the Group's sustainability objectives, the new regulatory framework encourages the dematerialisation of technical documentation (digital instruction manuals), a process that Tesmec is implementing to reduce the environmental impact associated with paper-based materials.

More generally, 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.

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.

It should be noted that in 2025, the Italian company Tesmec Rail once again completed the Ecovadis assessment, retaining the Silver Medal it had already achieved in previous years. The company ranks in the 93rd percentile according to the global ESG rating platform in the Construction of locomotive and rail-tramway rolling stock sector. Tesmec Automation has also been awarded the Ecovadis ESG rating, placing it in the top 15% of companies assessed globally within its sector. These results demonstrate a recognised concrete commitment to sustainability, ethical practices, human rights and corporate social responsibility.

Necessary and appropriate actions are identified through 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 cyber security measures and the guarantee of transparency in the use of personal information.

In this regard, during 2025, Tesmec completed its process of compliance with the NIS2 Directive, with the aim of strengthening the resilience and security of its networks and information systems.

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.

No precise information is available 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	In continuity with the business
Provision of all information relevant to the use of products			

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. All **information required for the correct use of the proposed solutions is provided**. 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. 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 Corporate culture 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
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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 supervises compliance with the Law and the Articles of Association and compliance with the principles of correct administration, as well as 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 [4.1.2 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. defines the 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 an adequate diversity of points of view and skills necessary for a good understanding of the business model, 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 (Report on corporate governance and ownership structures).

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
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Impacts	
Corruption and bribery	Potential market and reputational impacts arising from business conduct that fails to meet standards of ethics and integrity
Corporate culture	Promoting and consolidating a corporate culture based on ethical business conduct has a positive impact on internal and external stakeholders, strengthening the workforce's sense of belonging and fostering a sense of responsibility in relations with employees, suppliers, customers and other stakeholders.
Management of relationships with suppliers including payment practices	Potential impacts deriving from supplier management practices that are not in line with environmental and social criteria, including unstructured processes for the selection, qualification and monitoring of the supply chain, which may affect working conditions and

	suppliers' management of environmental aspects. Inadequate payment practices can affect suppliers' ability to operate in a sustainable manner, with repercussions for workers' conditions and the continuity of operations within the supply chain.
Protection of whistle-blowers	Potential failure to protect whistle-blowers who use the anonymous whistle-blowing systems provided by the Group.

Risks/Opportunities	
Corruption and bribery	Regulatory, legal and reputational risks related to anti-competitive behaviour, antitrust and monopolistic practices by the Group.
	Regulatory, legal and reputational risks arising from any or potential cases of corruption, with particular reference to markets with a high incidence of corruption in which Tesmec operates. These risks include regulatory violations, legal impacts and reputational damage, with potential operational difficulties in environments characterised by non-compliant practices. These risks may be exacerbated by a lack of adequate knowledge of local regulations and by being located in certain geographical areas.

The analysis of material topics relating to the ESRS G1 Business Conduct topic identified significant impacts and risks for the Tesmec Group.

For further information on the process of identifying material impacts, risks and opportunities, please refer to chapter [4.1.3.3 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

For more details on the Group's location, activities, business segments and structure, please refer to the [General Disclosure](#).

Impacts

The Tesmec Group identified a potential negative impact resulting from a behaviour that does not comply with ethics and integrity criteria, mitigated by the policies and checks that the Group has put in place.

On the other hand, the positive impacts identified by the Group concern corporate culture. Promoting a corporate culture based on integrity, transparency and accountability, combined with the informed selection of suppliers and the prevention of unlawful practices, strengthens the Group's reputation and contributes to the overall sustainability of the business.

In terms of managing relationships with suppliers, the Tesmec Group is committed to adopting correct and timely payment practices. Failure to manage this topics properly would undermine the overall stability of the supply chain, jeopardising the business continuity of its trading partners. This potential impact is mitigated by the attention that is paid to the selection, qualification, management and monitoring of suppliers to avoid potential negative environmental and social impacts.

In relation to the management of reports from whistle-blowers using the Tesmec Group's reporting channels, a potential negative impact on these individuals should the Group fail to provide adequate protection has been identified.

Risks

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.

Corporate culture and business conduct policies

ESRS Standards	ESRS 2 MDR-P, ESRS G1 G1-1
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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. The 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 levels of management in the organisation of the company that are responsible for implementing the policy are the Chief Executive Officers 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
Confidentiality
Responsibility towards the community
Fighting corruption and conflicts of interest
Protection of human rights and safety of people
Protection of the environment and quality standards
Fair competition
Protection of Intellectual Property
Transparency
Fairness in the management of contracts

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.

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.

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 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 confidentiality 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 [4.4.1.2 Prevention and detection of corruption and bribery](#).

Related-party transactions

Tesmec S.p.A. 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

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:

- An organised 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.

Tesmec S.p.A. is a member of Intellimech, a private consortium of companies dedicated to interdisciplinary research in the field of mechatronics for applications across various industrial sectors.

In the Energy segment, Tesmec is a member of Cigré (Conseil International des Grands Réseaux Électriques), IEC/CEI (International Electrotechnical Commission), IEEE (Institute of Electrical and Electronics Engineers), Anie (Associazione Nazionale Industrie Elettrotecniche (National Association of Electrotechnical Industries)) and OPG (Open Power Grids).

In the rail segment, the main associations of which the organisation is a member are CIFI (Collegio Ingegneri Ferroviari Italiani, Association of Italian Railway Engineers), ASSIFER (Associazione delle Industrie Ferroviarie, Association of Railway Industries) and UNIFE (Unione delle industrie ferroviarie europee, Union of European Railway Industries). In the trencher segment, Tesmec is a member of IPLOCA (International PipeLine and Offshore Contractors Association).

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 offers 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.

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. The Italian Inland Revenue appealed against this decision and the hearing is still to be set.

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. The Company, believing its actions to be correct also on the basis of the opinions received, immediately appealed against the aforementioned deed of

collection. This appeal was upheld in full by the Tax Court of first instance of Bergamo in December 2023 and, following an appeal lodged by the Italian Inland Revenue, was subsequently upheld by the Tax Court of second instance of Lombardy in September 2025.

In January 2025, this subsidiary 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. In line with the above assessment, the Italian Inland Revenue challenged the Company's undue utilisation of R&D tax credit in 2018 and 2019. The Company believes it has acted correctly in this case too and has filed its counterclaims with the assistance of its advisors. In October 2025, the Tax Court of first instance of Bergamo suspended the tax assessments in question, pending the final judgement of the successful dispute – both in first and second instance – concerning the 2015 and 2016 tax years, as referred to in the previous point.

Still regarding this dispute, the subsidiary received in July 2025 a deed of collection for the improper use in 2020 of the Research and Development tax credit relating to the 2018 tax year. Also in this case, the Tax Court of first instance of Bergamo suspended the proceedings in January 2026, pending the final judgement on the dispute concerning the 2015 and 2016 tax years, as referred to in the previous point.

It should be noted that, for the years not subject to dispute, the parent company Tesmec S.p.A. and its subsidiaries Tesmec Rail S.r.l. and Tesmec Automation S.r.l. requested and obtained the MIMIT certification for research and development projects, the costs of which generated tax credits in previous financial years. This certification, issued by an expert registered with the MIMIT Register, confirms the eligibility of the research activity and the entitlement to the accrued tax credit, which is therefore fully validated.

Management of relationships with suppliers

ESRS Standards	ESRS G1 G1-2
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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. 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 tries 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 a national approach. In particular, approximately 83% of suppliers of Tesmec S.p.A. are Italian, with the remaining 17% split between intra-EU (8%) and extra-EU (9%). Choosing local supply has also a positive impact on local communities (supporting the local community and economy) and the environment (helping to reduce pollution).

Tesmec's approach to relationships with its suppliers focuses on building **long-term relationships** based on mutual trust, product quality and compliance with ethical standards. Establishing ongoing dialogue with suppliers, through a partnership based on transparency, helps to prevent and quickly address risks related to interruptions in the supply chain. Strategic collaboration with suppliers who share the same values – such as those set out in the Tesmec Group's Supplier Code of Ethics – help to improve the stability of the supply chain. Ensuring that its suppliers meet the highest quality and safety standards is a priority for the Group. To reduce the 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 standards.

The Tesmec Group does not apply standard payment terms to its suppliers, nor does it offer preferential terms to small and medium-sized enterprises. The contractual terms of payment are defined in the commercial agreement with the individual supplier. For more information, please refer to chapter Payment practices.

Selection, qualification and monitoring of the supply chain

List of Qualified Suppliers

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 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 (Responsabile Sistema Gestione Qualità, Quality Management System Manager) 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 (consolidated quality over time, punctuality in delivery, availability, correct and punctual supply of the requested technical documentation).

Qualification

For the qualification of new suppliers of Tesmec S.p.A., if considered strategic for the product supplied, the process envisages, for example, preliminary 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.

The **policy for qualifying and evaluating new suppliers**, applied by Tesmec S.p.A., Tesmec Rail S.r.l. e Tesmec Automation S.r.l., 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.).

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. 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 2025, 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 is required to countersign the Supplier Code of Ethics, which must be signed 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.

During the 2025 financial year, Tesmec S.p.A., Tesmec Rail S.r.l. and Tesmec Automation S.r.l. registered a total of 313 new suppliers, all of whom were qualified according to environmental and social criteria. 5.8% of new suppliers also underwent in-depth audits and assessments regarding specific environmental or social requirements.

Assessment and monitoring

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 Supplier Code of Ethics.

In 2025, to strengthen the process of monitoring and engaging the Supply Chain on topics related to sustainability and business ethics, a questionnaire was drawn up for suppliers, covering ESG topics and, in particular, quality management, environmental management, occupational health and safety, information management (cybersecurity and data protection), anti-corruption measures and human rights.

Prevention and detection of corruption and bribery

ESRS Standards	ESRS G1 G1-3
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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. 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 [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.

Given the size and complexity of the Tesmec Group's business, corruption risks, such as financial risk and compliance risk, may arise. Within the European context, all transactions exceeding Euro 50,000 are assessed to identify these risks; within this scope, more than 300 counterparties have been analysed.

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.

Model 231

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.

Anti-Corruption Policy

The Group Anti-Corruption Policy, extended and made available to the entire Group and 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.

Supervisory Body

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.

Training

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 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.

With reference to the anti-corruption management system compliant with ISO 37001:2016, Tesmec Automation S.r.l. and Tesmec Rail S.r.l. have been certified by a leading independent international certification body. The certification of Tesmec Automation S.r.l. was successfully re-assessed in 2025, while the certification of Tesmec Rail S.r.l., renewed in 2024, remains valid for the new three-year period.

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.

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. 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.

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, 13.6% received anti-corruption training in 2025.

Personnel training and qualification plan

The Management pays 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.

Internal Audit

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.

Whistle-blowing

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.

4.4.1.3 Metrics

Cases of corruption or bribery

ESRS Standards	ESRS 2 MDR-A, ESRS 2 MDR-M, ESRS G1 G1-4
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In 2025, 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".

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
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Tesmec Group does not have standard contractual payment conditions for its suppliers. 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	80	95
UE suppliers	55	125
Extra-UE suppliers	30	100
Suppliers with reverse factoring	80	80
<i>Average value</i>	<i>60</i>	<i>100</i>

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	4.1.2 Governance of sustainability/4.1.2.1 The governance system 4.1.2 Governance of sustainability/4.1.2.2 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	4.1.2 Governance of sustainability/4.1.2.2 The process of information and management of sustainability topics
GOV-3	Integration of sustainability-related performance in incentive schemes	4.1.2 Governance of sustainability/4.1.2.3 Integration of sustainability-related performance in incentive schemes
GOV-4	Statement on due diligence	4.1.2 Governance of sustainability/4.1.2.4 The sustainability due diligence process
GOV-5	Risk management and internal controls over sustainability reporting	4.1.2 Governance of sustainability/4.1.2.5 The internal control system over sustainability reporting
SBM-1	Strategy, business model and value chain	4.1.3 Strategy and business model/4.1.3.1 Strategy, business model and value chain
SBM-2	Interests and views of stakeholders	4.1.3 Strategy and business model/4.1.3.2 Stakeholders: interests and expectations
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.1.3 Strategy and business model/4.1.3.3 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	4.2.2 Climate change/4.2.2.1 Governance/Integration of sustainability-related performance in incentive schemes
E1-1	Transition plan for climate change mitigation	4.2.2 Climate change/4.2.2.2 Strategy/Transition plan for climate change mitigation
E1.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	4.2.2 Climate change/4.2.2.2 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	4.2.2 Climate change/4.2.2.3 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	4.2.2 Climate change/4.2.2.3 Impact, risk and opportunity management/Policies related to climate change mitigation and adaptation
E1-3	Actions and resources in relation to climate change policies	4.2.2 Climate change/4.2.2.3 Impact, risk and opportunity management/Actions and resources in relation to climate change
E1-4	Targets related to climate change mitigation and adaptation	4.2.2 Climate change/4.2.2.4 Metrics and targets/Targets related to climate change mitigation
E1-5	Energy consumption and mix	4.2.2 Climate change/4.2.2.4 Metrics and targets/Energy consumption and mix
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	4.2.2 Climate change/4.2.2.4 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	4.2.3 Pollution/4.2.3.1 Impact, risk and opportunity management/The process for identifying and assessing material impacts, risks and opportunities
E2-1	Policies related to pollution	4.2.3 Pollution/4.2.3.1 Impact, risk and opportunity management/Policies related to pollution
E2-2	Actions and resources related to pollution	4.2.3 Pollution/4.2.3.1 Impact, risk and opportunity management/Actions and resources related to pollution
E2-3	Targets related to pollution	4.2.3 Pollution/4.2.3.2 Metrics and targets/Targets related to pollution
E2-5	Substances of concern and substances of very high concern	4.2.3 Pollution/4.2.3.2 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	4.2.4 Resource use and circular economy/4.2.4.1 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	4.2.4 Resource use and circular economy/4.2.4.1 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	4.2.4 Resource use and circular economy/4.2.4.1 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	4.2.4 Resource use and circular economy/4.2.4.2 Metrics and targets/Targets related to resource use and circular economy
E5-4	Resource inflows	4.2.4 Resource use and circular economy/4.2.4.2 Metrics and targets/Resource inflows
E5-5	Resource outflows	4.2.4 Resource use and circular economy/4.2.4.2 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	4.1.2 Governance of sustainability/4.1.2.1 The governance system
GOV-1	21 (e)	Percentage of board members who are independent	Benchmark Regulation	4.1.2 Governance of sustainability/4.1.2.1 The governance system
GOV-4	30	Statement on due diligence	SFDR	4.1.2 Governance of sustainability/4.1.2.4 The sustainability due diligence process
SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	SFDR Pillar 3 Benchmark Regulation	4.1.3 Strategy and business model/4.1.3.1 Strategy, business model and value chain
SBM-1	40 (d) ii	Involvement in activities related to chemical production	SFDR Benchmark Regulation	4.1.3 Strategy and business model/4.1.3.1 Strategy, business model and value chain
SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	SFDR Benchmark Regulation	4.1.3 Strategy and business model/4.1.3.1 Strategy, business model and value chain
SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco	Benchmark Regulation	4.1.3 Strategy and business model/4.1.3.1 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	4.2.2 Climate change/4.2.2.2 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	4.2.2 Climate change/4.2.2.4 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	4.2.2 Climate change/4.2.2.4 Metrics and targets/Energy consumption and mix
E1-5	37	Energy consumption and mix	SFDR	4.2.2 Climate change/4.2.2.4 Metrics and targets/Energy consumption and mix
E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	SFDR	4.2.2 Climate change/4.2.2.4 Metrics and targets/Energy consumption and mix
E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	SFDR Pillar 3 Benchmark Regulation	4.2.2 Climate change/4.2.2.4 Metrics and targets/GHG emissions
E1-6	53-55	Gross GHG emissions intensity	SFDR Pillar 3 Benchmark Regulation	4.2.2 Climate change/4.2.2.4 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	4.2.4 Resource use and circular economy/4.2.3.2 Metrics and targets/Resource inflows
E5-5	39	Hazardous waste and radioactive waste	SFDR	4.2.4 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	4.2.2 Climate change/4.2.2.2 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	4.2.2 Climate change/4.2.2.2 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);
- Grassobio (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 30 April 2025, the Shareholders' Meeting authorised the treasury share buy-back plan for a period of 18 months; the authorisation of 30 April 2025 replaces the revocation granted by the Ordinary Shareholders' Meeting of 18 April 2024. 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 2025, 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 annex 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 2025 financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the 2025 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
Carlo Caccia Dominioni	Direct	Director	467,300	-	-	467,300

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 with regard to 50-50 joint ventures Condux Tesmec and Groupe Marais SAS with which transactions are regulated by special supply contracts at market conditions and agreed with the partner.
- During the 2025 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 5 March 2026, the subsidiary Tesmec Rail S.r.l. was awarded two contracts with SŽ-Infrastruktura d.o.o., the company responsible for traffic management, maintenance and the operation of the public rail network in Slovenia.
The two contracts with a duration of 4.5 years and a total value of Euro 71 million, cover the supply of 21 technological vehicles to support the management, maintenance and safety of Slovenia's rail infrastructure, in line with European standards. The orders confirm the Group's ability to transform the know-how gained in Italy into competitive solutions on a European scale, capitalising on the investments made on the platform, which is now used as a modular and scalable product across multiple markets in the rail segment.

6.1 Business outlook

In the current global economic context, the Tesmec Group confirms its strategic commitment to the energy and strategic infrastructure sectors, driven by structural macro-trends such as electrification, digitalization, and the modernization of networks. These dynamics represent decisive levers for sustainable, innovation-driven growth,

which the Group is pursuing with a long-term vision and rigorous operational discipline. The combination of solid industrial know-how and constant investment in R&D enables Tesmec to develop high value-added solutions characterized by sustainability, safety, and end-to-end digitalization. The increase in investments in energy infrastructures – both traditional and renewable – represents a concrete opportunity for the Group, which benefits from a distinctive positioning thanks to its proprietary technologies for stringing overhead and underground lines and for smart grids, which are increasingly central to ensuring efficient, safe, and digital electrical networks. In the railway sector, Tesmec continues to strengthen its international presence, benefiting from global railway modernization programs and the growing demand for digitalization of related infrastructures. In this context, the Group solutions – particularly those dedicated to diagnostics – are playing a key role in supporting the sector's transformation. As for the distinctive Trencher technology, end-use markets remain positive, supported by the rapid growth of solar and wind power, the expansion of underground electrical cables, the increasing connectivity needs linked to data centers and the robust demand for transport, pipeline and tunnelling infrastructures. In this scenario, significant opportunities are emerging in mechanized laying and in safer, more sustainable mining technologies, areas in which Tesmec holds a unique position. At the same time, the Group continues to strengthen its business model by increasing the weight of services and recurring revenues. This evolution is supported by synergistic diversification of activities, a structured international presence and strong proximity to customers in key markets, with selective development in countries offering the most favorable conditions for long-term projects and the creation of lasting value. The ESG strategy, fully integrated into the operating model, also represents a cross-cutting lever of competitiveness, innovation, and value creation, reinforcing the Group ability to operate sustainably in its reference markets. Overall, Tesmec is addressing global challenges with a clear, consistent, and forward-looking strategy, focusing on technological innovation, geographical selectivity, and flexibility in adapting to rapidly evolving contexts.

In 2026, despite the current geopolitical scenario marked by uncertainty and volatility, Tesmec expects to continue its path of sustainable growth, leveraging an order backlog that ensures solidity, visibility, and revenue continuity. The revenue mix will continue to evolve towards higher value - added solutions and projects. On the operational front, the Group expects further progress in terms of efficiency, supporting margins and the growing scalability of the industrial model. Financial discipline remains a strategic pillar: the optimized management of working capital, together with the expected increase in profitability, aims at the continued improvement of net financial position and a further strengthening of the Group overall solidity. Thanks to its production footprint between Italy and the United States, its international reach, and the substantial order backlog across all Business Units, Tesmec believes it has the flexibility needed to face the challenges of the current macroeconomic and geopolitical scenario with determination. Accordingly, for the 2026 financial year, the Tesmec Group expects growth in the main Income Statement indicators compared with 2025 and a further reduction in Net Financial Debt compared with December 31, 2025. At the same time, considering the recent escalation of tensions in the Middle Eastern region, where the Group generated approximately 14% of its Revenues in 2025, Tesmec is continuously monitoring market conditions, cost dynamics and potential risk factors that could influence future outlooks.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated statement of financial position

		31 December	
(Euro in thousands)	Notes	2025	2024
NON-CURRENT ASSETS			
Intangible assets	8	46,430	42,238
Property, plant and equipment	9	37,384	34,160
Rights of use	10	19,826	23,373
Equity investments in associates measured using the equity method	11	13,165	7,066
Other equity investments		42	43
Financial receivables and other non-current financial assets	12	6,000	9,731
Derivative financial instruments	24	21	72
Deferred tax assets	32	13,825	14,748
Non-current trade receivables		1,476	2,912
Other non-current assets		6	8
TOTAL NON-CURRENT ASSETS		138,175	134,351
CURRENT ASSETS			
Work in progress contracts	13	34,251	36,734
Inventories	14	87,664	96,134
Trade receivables	15	61,089	55,429
<i>of which with related parties:</i>		<i>4,670</i>	<i>1,830</i>
Tax receivables	16	2,011	2,666
Other available-for-sale securities		302	-
Financial receivables and other current financial assets	17	22,082	35,740
<i>of which with related parties:</i>		<i>6,178</i>	<i>1,496</i>
Derivative financial instruments		-	13
Other current assets	18	16,241	13,728
Cash and cash equivalents	19	40,560	29,559
TOTAL CURRENT ASSETS		264,200	270,003
TOTAL ASSETS HELD FOR SALE	6	-	19,597
TOTAL ASSETS		402,375	423,951
SHAREHOLDERS' EQUITY			
GROUP SHAREHOLDERS' EQUITY			
Share capital	20	15,702	15,702
Reserves	20	53,362	64,007
Group net profit/(loss)	20	1,691	(5,181)
TOTAL GROUP SHAREHOLDERS' EQUITY		70,755	74,528
Non-controlling interest in capital and reserves		2,539	2,720
Net profit/(loss) for the year attributable to non-controlling interests		436	364
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		2,975	3,084
TOTAL SHAREHOLDERS' EQUITY		73,730	77,612
NON-CURRENT LIABILITIES			
Medium/long-term loans	21	75,907	72,548
<i>of which with related parties:</i>		<i>-</i>	<i>1,899</i>
Non-current bond issue	22	5,855	7,576
Non-current financial liabilities from rights of use	23	18,019	23,314
<i>of which with related parties:</i>		<i>490</i>	<i>3,781</i>
Derivative financial instruments	24	83	176
Employee benefit liability	25	3,934	3,915
Deferred tax liabilities	32	1,874	1,615
TOTAL NON-CURRENT LIABILITIES		105,672	109,144
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	26	81,989	98,135
<i>of which with related parties:</i>		<i>2,516</i>	<i>1,081</i>
Current bond issue	27	1,902	-
Current financial liabilities from rights of use	23	9,624	10,454

<i>of which with related parties:</i>		3,042	2,714
Derivative financial instruments	24	-	60
Trade payables	28	103,782	79,905
<i>of which with related parties:</i>		12,887	2,630
Advances from customers		7,650	3,247
Income taxes payable	29	1,493	3,190
Provisions for risks and charges	30	2,583	2,609
Other current liabilities	31	13,950	15,923
TOTAL CURRENT LIABILITIES		222,973	213,523
TOTAL LIABILITIES HELD FOR SALE	6	-	23,672
TOTAL LIABILITIES		328,645	346,339
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		402,375	423,951

Consolidated income statement

(Euro in thousands)	Notes	Financial year ended 31 December	
		2025	2024
Revenues from sales and services	33	257,606	239,546
<i>of which with related parties:</i>		9,989	4,124
Cost of raw materials and consumables	34	(115,988)	(108,978)
<i>of which with related parties:</i>		(266)	(9)
Costs for services	35	(52,370)	(42,687)
<i>of which with related parties:</i>		(644)	(280)
Payroll costs	36	(54,500)	(53,003)
Other net operating costs/revenues	37	(6,991)	(4,702)
<i>of which with related parties:</i>		(775)	176
Amortisation/Depreciation	38	(20,976)	(20,666)
Development costs capitalised	39	12,273	10,559
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		465	367
Total operating costs		(238,087)	(219,110)
Operating income		19,519	20,436
Financial expenses	40	(23,247)	(21,970)
<i>of which with related parties:</i>		(322)	(427)
Financial income	41	3,557	5,365
<i>of which with related parties:</i>		39	91
Portion of losses/(gains) from valuation of the associated companies and non-operational Joint Ventures evaluated using the equity method		(44)	4
Pre-tax profit/(loss)		(215)	3,835
Income tax	32	(2,191)	(3,599)
Net profit/(loss) for the year of continuing operations		(2,406)	236
Net profit/(loss) for the year of assets held for sale or sold	6	4,533	(5,053)
Net profit/(loss) for the year		2,127	(4,817)
Profit/(loss) attributable to non-controlling interests		436	364
Group profit/(loss)		1,691	(5,181)
Basic and diluted earnings/(losses) per share		0.003	(0.009)

Consolidated statement of comprehensive income

(Euro in thousands)	Notes	Financial year ended 31 December	
		2025	2024
NET RESULT FOR THE YEAR		2,127	(4,817)
Other components of comprehensive income:			
<i>Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the period:</i>			
Exchange differences on conversion of foreign financial statements	20	(4,530)	3,184
Other changes		(3,032)	1,154
<i>Other components of comprehensive income that will not be subsequently reclassified to net profit/(loss) for the year:</i>			
Actuarial profit/(loss) on defined benefit plans	25	43	(19)
Income tax		(10)	5
		33	(14)
Total other profit/(loss) after tax		(7,529)	4,324
Total comprehensive income/(loss) after tax		(5,402)	(493)
<i>Attributable to:</i>			
Shareholders of Parent Company		(5,492)	(1,034)
Non-controlling interests		90	541

Statement of consolidated cash flows

		Financial year ended 31 December	
(Euro in thousands)	Notes	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year of continuing operations		(2,406)	236
<i>Adjustments to reconcile net income for the year with the cash flows generated by operating activities:</i>			
Amortisation/Depreciation	38	20,976	20,666
Provisions for employee benefit liability	25	1,853	1,770
Provisions for risks and charges/inventory obsolescence/doubtful accounts	14-15-30	2,433	5,400
Employee benefit payments	25	(1,789)	(1,721)
Payments/use of provisions for risks and charges	30	(91)	16
Net change in deferred tax assets and liabilities	32	887	462
Change in fair value of financial instruments	24	(90)	486
<i>Change in operating assets and liabilities:</i>			
Trade receivables	15	(1,810)	(13,060)
<i>of which with related parties:</i>		(2,840)	-
Inventories	14	4,068	6,800
Trade payables	28	29,639	450
<i>of which with related parties:</i>		10,256	1,390
Other current assets and liabilities		(5,244)	(5,411)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		48,426	16,094
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	9	(14,147)	(5,528)
Investments in intangible assets	8	(14,150)	(12,364)
Investments in rights of use	10	(6,638)	(15,006)
(Investments)/disposals of financial assets		8,387	(7,643)
<i>of which with related parties:</i>		(4,682)	-
Assets held for sale		-	2,576
Sale of property, plant and equipment, intangible assets and rights of use	8-9-10	7,926	11,924
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		(18,622)	(26,041)
CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	21	53,384	32,148
Recognition of financial liabilities from rights of use	23	10,307	30,804
<i>of which with related parties:</i>		-	3,589
Repayment of medium/long-term loans	21-22	(66,541)	(39,985)
<i>of which with related parties:</i>		(464)	-
Repayment of financial liabilities from rights of use	23	(16,433)	(25,026)
<i>of which with related parties:</i>		(2,963)	(3,087)
Net change in short-term financial liabilities	23-26-27	2,421	(2,588)
Other changes	20	(1,512)	1,015
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		(18,374)	(3,632)
NET CASH FLOW GENERATED BY/(USED IN) ASSETS/LIABILITIES HELD FOR SALE OR SOLD (D)		460	(10,898)
TOTAL CASH FLOW (E=A+B+C+D)		11,890	(24,477)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (F)		(889)	356
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (G)		29,559	53,680
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (H=E+F+G)		40,560	29,559
Additional information:			
Interest paid		16,651	18,000
Income tax paid		2,688	2,967

Statement of changes in consolidated shareholders' equity

	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
<i>(Euro in thousands)</i>										
Balance as at 1 January 2024	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
Profit/(loss) for the period	-	-	-	-	-	-	1,691	1,691	436	2,127
Other profit/(loss)	-	-	-	-	(7,216)	33	-	(7,183)	(346)	(7,529)
Total comprehensive income/(loss)	-	-	-	-	-	-	-	(5,492)	90	(5,402)
Allocation of profit for the period	-	168	-	-	-	(5,349)	5,181	-	-	-
Other changes	-	-	-	-	-	(450)	-	(450)	(199)	(649)
Change in the consolidation area	-	-	-	-	-	2,169	-	2,169	-	2,169
Balance as at 31 December 2025	15,702	2,684	39,215	(2,341)	(923)	14,727	1,691	70,755	2,975	73,730

Explanatory notes

Accounting and reporting standards adopted in preparing the consolidated financial statements as at 31 December 2025

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 EURONEXT 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 period ended as at 31 December 2025 was authorised by means of the resolution of the Directors on 11 March 2026.

2 Reporting standards

The consolidated financial statements of the Tesmec Group as at 31 December 2025 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 2024, 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, based on the provisions of the Budget and the underlying cash plan drawn up by management. 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 - in the context of the current geopolitical uncertainty - 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 implement their plans and 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 regard to climate change, it should be noted that this is an issue of particular concern for any industrial sector, including the one in which Tesmec operates, whose greenhouse gas emissions are linked both to the organisation's direct consumption, mainly deriving from the production plants, and, in particular, to consumption arising from activities carried out throughout the value chain. Starting from the 2024 financial year, the Tesmec Group has calculated its Scope 3 emissions for its most significant activities.

The Group's commitment on this matter is formalised through the 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 use.

As part of the double materiality assessment, Tesmec carried out an analysis to identify and measure physical and transition risks, with the aim of improving the management of climate change-related topic.

As an integral part of its sustainability programme, Tesmec Group is committed to developing a transition plan for climate change mitigation.

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 2025, the consolidation area changed with respect to that as at 31 December 2024:

- on 7 January 2025, Groupe Marais SAS transferred to its subsidiary Tesmec France SAS the business unit relating to the production and sale of trenchers. This unit also includes all of the equity investments held by Groupe Marais SAS in all of its African subsidiaries as at 31 December 2024;
- subsequently, on 7 March 2025, the company Groupe Marais SAS sold its entire shareholding in Tesmec France SAS to Marais Technologies SAS at the price of Euro 3,747 thousand;
- on 6 November 2025, the Shareholders' Meeting of Groupe Marais SAS finalised the share capital increase reserved for OT Engineering. Pursuant to that shareholders' meeting resolution and the payments made, OT Engineering held 50.0% of Groupe Marais SAS. As a result of this transaction, the deconsolidation of Groupe Marais has become final, and its effects will be fully reflected in the financial statements as at 31 December 2025.

However, these transactions did not change the consolidation area, resulting but in a shift within the Group's organisational chart;

- On 10 January 2025, the company MIR SA was sold as it was no longer considered strategic and consequently excluded from the consolidation area.
- on 6 December 2025, the company Loire Sarthe Immobilier was established, 1% owned by Tesmec S.p.A. and 99% by Marais Technologies SAS, with registered office in Durtal (France). The company will be involved in the acquisition, administration and management – through lease, rental or other means – of its own properties.

SUBSIDIARIES					
(consolidated on a line-by-line basis, by making clear the portion of equity and of non-controlling interests)					
Name	Registered office	Currency	Share capital	Percentage held	
				Directly	Indirectly
TESMEC USA, Inc.	Alvarado (Texas)	US Dollar	31,200,000	100.00%	-
TESMEC SA (Pty) Ltd.	Johannesburg (South Africa)	South African Rand	93,901,000	100.00%	-
Tesmec Automation S.r.l.	Grassobbio - BG - (Italy)	Euro	10,000	100.00%	-
Bertel S.r.l.	Milan (Italy)	Euro	500,000	100.00%	-
Tesmec Peninsula WLL	Doha (Qatar)	Qatar Riyal	7,300,000	99.00%	-
East Trenchers S.r.l.	Milan (Italy)	Euro	100,000	100.00%	-
OOO TESMEC RUS	Moscow (Russia)	Russian Rouble	450,000	100.00%	-
Tesmec New Technology Beijing Ltd.	Beijing (China)	Euro	400,000	100.00%	-
Tesmec Rail S.r.l.	Monopoli - BA - (Italy)	Euro	10,000	100.00%	-
4 Service S.r.l.	Milan (Italy)	Euro	1,000,000	100.00%	-
4 Service USA, Inc.	Alvarado (Texas)	US Dollar	500	100.00%	-
Tesmec Saudi Arabia LLC	Riyad (Saudi Arabia)	Saudi Riyal	30,800,000	65.00%	-
Marais Technologies SA	Durtal (France)	Euro	3,785,760	100.00%	-
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%
Tesmec Maroc	Casablanca (Morocco)	Moroccan Dinar	90,000	-	100.00%
Tesmec Energy	Algiers (Algeria)	Algerian Dinar	1,520,000	-	100.00%
Loire Sarthe Immobilier SCI	Durtal (France)	Euro	1,000	1.00%	99.00%

ASSOCIATED COMPANIES					
(consolidated with the equity method)					
Name	Registered office	Currency	Share capital Currency unit	Percentage held	
				Directly	Indirectly
Locavert SA	Bouillargues (France)	Euro	403,735	38.63%	-
Marais Lucas Tech. (Pty) Ltd.	New South Wales (Australia)	Australian Dollar	332,400	50.00%	-

JOINT VENTURES					
(consolidated with the equity method)					
Name	Registered office	Currency	Share capital Currency unit	Percentage held	
				Directly	Indirectly
Condux Tesmec Inc	Mankato (Minnesota)	US Dollar	2,500,000	50.00%	-
Group Marais SA	Durtal (France)	Euro	7,399,980	-	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	
	2025	2024	2025	2024
US Dollar	1.1300	1.0824	1.1750	1.0389
Russian Rouble	94.0522	100.2801	92.0938	106.1028
Qatari Riyal	4.1131	3.9399	4.2770	3.7816

South African Rand	20.1789	19.8297	19.4439	19.6188
Renminbi	8.1185	7.7875	8.2262	7.5833
Australian Dollar	1.7518	1.6397	1.7581	1.6772
Algerian Dinar	148.5729	145.0997	152.0642	140.8920
New Zealand Dollar	1.9422	1.7880	2.0380	1.8532
Tunisian Dinar	3.3734	3.3663	3.3948	3.3080
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	9,761.0096	9,242.8117	10,242.8519	8,936.3023
Saudi Riyal	4.2375	4.0589	4.4063	3.8959
Moroccan Dirham	10.548	10.756	10.714	10.514

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 2025

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 mandatorily applicable and have not been adopted in advance by the Group as at 31 December 2024.

- 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 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;
 - criteria 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 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.

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 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 statement of cash flows, including the requirement to use the operating income as the starting point for the presentation of the statement of cash flows 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.

- On 13 November 2025, the IASB published a document called **"Translation to a Hyperinflationary Presentation Currency – Amendment to IAS 21"**, which clarifies the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:
 - its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or,
 - it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments will apply as from the financial statements for years beginning on or after 1 January 2027. The directors do not expect an effect on the Group's consolidated financial statements through the adoption of this amendment.

- On 30 January 2014, the IASB published **IFRS 14 – Regulatory Deferral Accounts**, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to Rate Regulation Activities in accordance with the previously adopted accounting standards. Since the Group is not a first-time adopter, this standard is not applicable.

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 2025, 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 33.1 million, with a negative equivalent value of Euro 62 thousand.

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.

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 2025 financial year (compared to 2024) 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 2025 financial year (compared to 2024) 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 2025 financial year (compared to 2024).
- 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 2025, 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 2026 financial year of Euro 215 thousand, offset by an increase in the spread received on existing derivatives of Euro 1 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 64 thousand.

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.

	Interests					
	31 December 2025			31 December 2024		
	Residual debt	Impact on IS +100 bps	Impact on IS -30 bps	Residual debt	Impact on IS +100 bps	Impact on IS -30 bps
<i>(Euro in thousands)</i>						
Borrowings/Bond issue	193,296	(215)	64	212,027	(124)	87
Total Loans	193,296*	(215)	64	212,027*	(124)	87
<i>(Euro in thousands)</i>	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	33,055	1	-	19.222	(5)	1
Total Derivative instruments	33,055	1	-	19.222	(5)	1
Total		(214)	64		(129)	88

* The residual debt is considered before amortised costs

	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2025									
	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
<i>(Euro in thousands)</i>										
Derivative instruments hedging cash flows	33,055	(62)	(62)	(61)	(113)	-	(62)	(62)	(114)	-
Total	33,055	(62)	(62)	(61)	(133)	-	(62)	(62)	(114)	-
	Financial year ended 31 December 2024									
	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
	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
<i>(Euro in thousands)</i>										
Derivative instruments hedging cash flows	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-
Total	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-

With reference to the situation as at 31 December 2025, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of Euro 113 thousand, with an impact only on the Income statement of the 2026 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 114 thousand, with an impact only on the Income Statement of the 2026 financial year.

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.

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 2025 and to 2024 financial years, with regard to financial instruments, by residual maturity, is set out below

Maturity	31 December 2025						
	Financial payables		Bonds		Trade payables	Financial instruments	Total
	Capital	Interests	Capital	Interests			
<i>(Euro in thousands)</i>	a	b	c	d	e	f	g=a+b+c+d+e+f
Within 12 months	91,613	6,074	1,902	577	103,782	-	203,948
Between 1 and 2 years	23,201	4,936	1,925	426	-	48	30,536
Between 2 and 3 years	19,825	3,716	1,951	274	-	-	25,766
Between 3 and 4 years	18,718	2,683	1,979	115	-	35	23,530
Between 4 and 5 years	15,439	1,781	-	-	-	-	17,220
Over 5 years	16,743	939	-	-	-	(21)	17,661
Total	185,539*	20,129	7,757	1,392	103,782	62	318,661

Maturity	31 December 2024						Total g=a+b+c+d+e+f
	Financial payables		Bonds		Trade payables	Financial instruments	
	Capital a	Interests b	Capital c	Interests d	e	f	
<i>(Euro in thousands)</i>							
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

* 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 2025 and 31 December 2024).

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 2025 financial year (compared to 2024 calculated) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

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 2025 and 31 December 2024).

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 2025 financial year (compared to 2024) 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 2025 financial year (compared to 2024 calculated) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

	2025 Exposure in foreign currency (USD)			2025 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)
Exposure with regard to equity items					
Trade receivables	29,350	-	29,350	(1,249)	1,249
Financial receivables	4,824	-	4,824	(205)	205

Trade payables	30	(4,801)	(4,771)	203	(203)
Total gross exposure with regard to equity items	34,204	(4,801)	29,403	(1,251)	1,251
Derivative instruments	-	-	-	-	-

	2024 Exposure in foreign currency (USD)			2024 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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (ZAR)			2025 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)
Exposure with regard to equity items					
Trade receivables	45,082	-	45,082	(116)	116
Financial receivables	90,686	-	90,686	(233)	233
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	135,768	-	135,768	(349)	349
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (AUD)			2025 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)
Exposure with regard to equity items					
Trade receivables	137	-	137	(4)	4
Financial receivables	9,427	-	9,427	(268)	268
Trade payables	-	(348)	(348)	10	(10)
Total gross exposure with regard to equity items	9,564	(348)	9,216	(262)	262
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (CNY)			2025 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)
Exposure with regard to equity items					
Trade receivables	300	-	300	(2)	2
Financial receivables	14,617	-	14,617	(89)	89
Trade payables	-	(12,806)	(12,806)	78	(78)
Total gross exposure with regard to equity items	14,917	(12,806)	2,111	(13)	13
Derivative instruments	-	-	-	-	-

	2024 Exposure in foreign currency (CNY)			2024 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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (RUB)			2025 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)
Exposure with regard to equity items					
Trade receivables	-	-	-	-	-
Financial receivables	50,387	-	50,387	(27)	27
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	50,387	-	50,387	(27)	27
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

2025 Exposure in foreign currency (NZD)				2025 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)
Exposure with regard to equity items					
Trade receivables	75	-	75	(2)	2
Financial receivables	6,265	-	6,265	(154)	154
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	6,340	-	6,340	(156)	156
Derivative instruments	-	-	-	-	-

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)
Exposure with regard to equity items					
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	-	-	-	-	-

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	
	2025	2024
NON-CURRENT ASSETS:		
Receivables and other financial assets	6,000	9,731
Derivative financial instruments	21	72
Non-current trade receivables	1,476	2,912
CURRENT ASSETS:		
Trade receivables	61,166	55,429
Financial receivables	22,082	35,740
Other available-for-sale securities	302	-

Derivative financial instruments	-	13
Cash and cash equivalents	40,560	29,559

(Euro in thousands)	31 December	
	2025	2024
NON-CURRENT LIABILITIES:		
Financial payables	75,907	72,548
Non-current bond issue	5,855	7,576
Non-current financial liabilities and rights of use	18,019	23,314
Derivative financial instruments	83	176
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	81,989	98,135
Current bond issue	1,902	-
Current financial liabilities and rights of use	9,624	10,454
Derivative financial instruments	-	60
Trade payables	103,782	79,905
Advances from customers	7,650	3,247

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	6,000	-	-
Derivative financial instruments	-	-	21
Non-current trade receivables	1,476	-	-
Total non-current	7,476	-	21
Trade receivables	56,496	-	-
Trade receivables from related parties	4,670	-	-
Financial receivables from third parties	15,904	-	-
Financial receivables from related parties	6,178	-	-
Other available-for-sale securities	302	-	-
Derivative financial instruments	-	-	-
Cash and cash equivalents	-	40,560	-
Total current	83,550	40,560	-
Total	91,026	40,560	21
Financial liabilities:			
Medium/long-term loans	75,907	-	-
Medium/long-term loans due to related parties	-	-	-
Bond issue	5,855	-	-
Non-current financial liabilities from rights of use	17,529	-	-
Non-current financial liabilities from rights of use to related parties	490	-	-
Derivative financial instruments	-	-	83
Total non-current	99,781	-	83
Interest-bearing financial payables (current portion)	79,473	-	-
Financial payables to related parties	2,516	-	-

Current bond issue	1,902	-	-
Current financial liabilities from rights of use	6,582	-	-
Current financial liabilities from rights of use to related parties	3,042	-	-
Derivative financial instruments	-	-	-
Trade payables due to third-parties	90,895	-	-
Trade payables due to related parties	12,887	-	-
Advances from customers	7,650	-	-
Total current	204,947	-	-
Total	304,728	-	83

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 2025, divided into the three levels defined above:

	Book value as at 31 December 2025	Level 1	Level 2	Level 3
<i>(Euro in thousands)</i>				
Financial assets:				
Derivative financial instruments	21	-	21	-
Total non-current	21	-	21	-
Other available-for-sale securities	302	-	-	302
Derivative financial instruments	-	-	-	-
Total current	-	-	-	-
Total	21	-	21	-
Financial liabilities:				
Derivative financial instruments	83	-	83	-
Total non-current	83	-	83	-
Derivative financial instruments	-	-	-	-
Total current	-	-	-	-
Total	83	-	83	-

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 compared to the book values, 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 that would make it mandatory to carry out a general impairment test on all non-current assets held by the Group.

Moreover, as already highlighted in the Report on Operations, it should be noted that the market capitalisation at the end of the reporting period (Euro 97 million) is higher than the book value of the consolidated shareholders' equity (Euro 77 million), reflecting a rise in market prices over the last 12 months. As previously mentioned, it should be noted that market valuations are influenced by the "thin" nature of the share, trends related to the external macroeconomic and geopolitical environments, and the Group's economic and financial performance.

In this context, it was nevertheless deemed appropriate to carry out an impairment test, not only for the CGUs to which a Goodwill is allocated (Tescmec Saudi Arabia) or for those characterised by negative trends compared to the previous year and for which trigger events identified (Tescmec Saudi Arabia itself, where signs of a slowdown emerged attributable to delays in the start of infrastructure investments from which the subsidiary is expected to benefit over the plan period, and Tescmec Australia, whose reference market experienced an adverse trend and the period's result was negatively impacted by charges related to the closure of a project with inadequate profitability), but more generally for all the Group's CGUs as well as for the Group's total non-current assets. This approach is deemed prudent and may also allow for commentary on the outcome of the sensitivity analyses, which is particularly relevant given the events following the end of the year, which, from a geopolitical perspective, have created further uncertainties related to the wars affecting the Middle East.

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.

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 2026 Budget and of the 2027-2029 Business Plan approved by the Board of Directors on 11 March 2026. The estimate of those cash flows includes assumptions of the Directors consistent with the strategy of the Tescmec 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, the actual performance of individual markets, the 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, customs policies, infrastructure investments in the countries where the group operates, as well as 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. Tescmec'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 Tescmec Group. For a more complete analysis of the main risks and uncertainties to which Tescmec Group is exposed, please refer to paragraph 3.6 *Main risks and uncertainties to which the Tescmec Group is exposed* 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 for discounting operating cash flows for the explicit period and for calculating the terminal value was determined differently depending on the Country of reference, as detailed in the table below:

	Carrying amount 2025 (Euro in thousands)	Carrying amount 2024 (Euro in thousands)	WACC 31 December 2025	WACC 31 December 2024
Tesmec USA, Inc. (Stati Uniti)	48,471	43,258	12.15%	14.03%
Tesmec Australia (Australia)	2,273	4,406	12.18%	12.01%
Marais Laying NZ (Nuova Zelanda)	1,044	3,201	12.16%	12.01%
Tesmec Saudi Arabia (Arabia Saudita)	4,368.9	2,863	12.43%	12.35%
Consolidato Marais (Francia)	34,585	26,714	11.64%	12.16%
Tesmec Automation S.r.l. (Italia)	18,040.7	24,171	11.82%	11.43%
4 Service Combined	24,224	26,671	11.67%	11.36%
Tesmec Rail S.r.l. (Italia)	38,163	46,349	12.25%	12.94%
Tesmec SA (Sud Africa)	7,816	5,806	16.49%	19.17%
Tesmec Peninsula WLL (Qatar)	973	2,611	11.99%	12.11%
Tesmec New Technology (Beijing) LTD (Cina)	(98,7)	432	11.52%	9.97%
Condux Tesmec	10,253	6,932	12.14%	11.86%
East Trenchers S.r.l. (Italia)	391	411	11.69%	11.36%
Consolidato Tesmec	204,165	224,563	13.00%	12.73%
Tesmec Russia	(1.753)	(1.808)	17.49%	17.41%

The estimate of the reference WACCs compared with the same estimate made as at 31 December 2024 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. Specifically for Tesmec Saudi Arabia and Tesmec Australia, a growth rate g equal to 2% was adopted.

The impairment test did not reveal any permanent losses in value, either with reference to the impairment test relating to the Tesmec Saudi Arabia and Tesmec Australia CGUs for which specific trigger events were identified, or with reference to all the Group's CGUs or to the total of the Group's non-current assets.

Moreover, it should be noted that the recoverable amount mainly consists of the discounting back of the cash flows that make up the Terminal Value, i.e. flows associated with periods distant in time whose achievement is marked by a higher risk profile and more exposed to changes in uncontrollable external variables that are different from those expected.

In this context, a sensitivity analysis was carried out to check the change in the 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 decreased by 1% compared to the adopted scenario would not result in an impairment.

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.

Subsequently, on 7 March 2025, Groupe Marais SAS sold its entire equity investment in Tesmec France SAS to Marais Technologies SAS for a price of Euro 3,747 thousand.

On 14 May 2025, the Shareholders' Meeting of Groupe Marais SAS approved an initial capital increase reserved for OT Engineering, French company part of the Comergy group, for a total amount of Euro 5,300 thousand, which was paid up through the contribution of the "Greenpose" business unit, operating in the trencher rental sector, for Euro 4,600 thousand, and the remaining Euro 700 thousand in cash. On 6 November 2025, the Shareholders' Meeting of Groupe Marais SAS finalised the share capital increase reserved for OT Engineering, subscribing to a further Euro 2,608 thousand in performance of the agreements entered into between the parties. Pursuant to that shareholders' meeting resolution and the payments made, OT Engineering, which as at 30 September 2025 already held 29.6% of Groupe Marais's share capital, now holds 50.0%. OT Engineering retains, in accordance with the original agreements, an option to increase its stake from 50% to a majority shareholding. As a result of this transaction, the deconsolidation of Groupe Marais has become final, and its effects will be fully reflected in the financial statements as at 31 December 2025.

The capital gain on disposal, amounting to Euro 4,124 thousand, recognised in the Net profit/(loss) for the year relating to assets held for sale or sold, was calculated as the difference between the fair value of the jointly controlled investment (Euro 5,907 thousand) and the net book value of the net assets sold on the date of completion of the agreement (6 November 2025), amounting to Euro 1,783 thousand.

The economic and financial values of the assets held for sale or sold are shown below:

Income statement of assets held for sale or sold

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Revenues from sales and services	10,584	13,210
Cost of raw materials and consumables	40	(2,171)
Costs for services	(3,166)	(3,751)
Payroll costs	(4,394)	(5,558)
Other net operating costs/revenues	(1,529)	(1,806)
Amortisation/Depreciation	-	(3,348)
Total operating costs	(9,049)	(16,634)
Operating income	1,535	(3,424)
Financial expenses	(1,038)	(1,651)
Financial income	24	65
Pre-tax profit/(loss)	521	(5,010)
Income tax	(112)	(43)
Capital gain on disposal	4,124	-
Net loss for the year of assets held for sale	4,533	(5,053)

Statement of financial position of assets/liabilities held for sale

(Euro in thousands)	31 December	
	2025	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)

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 2025 and as at 31 December 2024 is indicated in the table below:

	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
<i>(Euro in thousands)</i>						
Start-up and expansion costs	12	(7)	5	12	(5)	7
Development costs	98,266	(71,683)	26,583	92,402	(63,836)	28,566
Rights and trademarks	14,589	(12,607)	1,982	14,251	(11,048)	3,203
Other intangible assets	4,698	(1,246)	3,452	3,246	(525)	2,721
Goodwill	3,014	-	3,014	3,014	-	3,014
Assets in progress	11,394	-	11,394	4,727	-	4,727
Total intangible assets	131,973	(85,543)	46,430	117,652	(75,414)	42,238

The following table shows the changes in intangible assets for the year ended as at 31 December 2025:

	1 January 2025	Increases due to purchases	Reclassifications	Decreases	Amortisation	Exchange rate differences	31 December 2025
<i>(Euro in thousands)</i>							
Start-up and expansion costs	7	-	-	-	(2)	-	5
Development costs	28,566	4,277	1,587	-	(7,847)	-	26,583
Rights and trademarks	3,203	410	-	-	(1,582)	(49)	1,982
Other intangible assets	2,721	1,176	297	-	(742)	-	3,452
Goodwill	3,014	-	-	-	-	-	3,014
Assets in progress	4,727	8,287	(1,620)	-	-	-	11,394
Total intangible assets	42,238	14,150	264	-	(10,173)	(49)	46,430

As at 31 December 2025, intangible assets net of amortisation totalled Euro 46,430 thousand, up Euro 4,192 thousand mainly due to:

- the increase in development costs of Euro 4,277 thousand, of which Euro 3,130 thousand relating to the rail segment, which saw the finalisation of the development projects of the new generation vehicle TYPE 4;
- the increase in assets in progress of Euro 8,287 thousand relating:
 - to the Trencher division of Euro 2,373 thousand, which is developing projects a new compact machine designed for urban environments and a new machine with power exceeding 950 HPe;
 - to the Energy-Stringing equipment division of Euro 2,044 thousand, which is developing projects for the redesign, electrification, digitalization, and automation of certain product families;
 - to the Energy-Automation division of Euro 1,979 thousand, which is developing projects for remote control systems for secondary cabins and substations based on various network protocols;
 - to the Rail division of Euro 1,872 thousand, which is developing projects for a new bimodal vehicle and a braked stringing trolley.

The recoverability of the item intangible assets, which in total represents 60% 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 2026-2029 Business Plan, approved by the Board of Directors on 11 March 2026. 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.

9 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2025 and as at 31 December 2024 is indicated in the table below:

(Euro in thousands)	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	4,311	-	4,311	4,090	-	4,090
Buildings	19,595	(6,714)	12,881	21,289	(8,937)	12,352
Plant and machinery	17,787	(14,232)	3,555	17,154	(13,529)	3,625
Equipment	9,924	(8,558)	1,366	10,603	(9,061)	1,542
Other assets	28,002	(13,679)	14,323	27,282	(16,382)	10,900
Assets in progress	948	-	948	1,651	-	1,651
Total property, plant and equipment	80,567	(43,183)	37,384	82,069	(47,909)	34,160

The following table shows the changes in property, plant and equipment for the year ended 31 December 2025:

(Euro in thousands)	1 January 2025	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 December 2025
Land	4,090	247	-	-	-	(26)	4,311
Buildings	12,352	1,600	-	-	(496)	(575)	12,881
Plant and machinery	3,625	651	-	-	(651)	(70)	3,555
Equipment	1,542	407	49	-	(575)	(57)	1,366
Other assets	10,900	10,982	598	(4,536)	(2,301)	(1,320)	14,323
Assets in progress	1,651	260	(911)	(46)	-	(6)	948
Total property, plant and equipment	34,160	14,147	(264)	(4,582)	(4,023)	(2,054)	37,384

As at 31 December 2025, property, plant and equipment totalled Euro 37,384 thousand, up compared to the previous year by Euro 3,224 thousand.

The change is mainly due to the increase in "Other assets" of Euro 10.982 thousand mostly related to the rental of trenchers, primarily in the Middle Eastern market.

10 Rights of use

The breakdown in *Rights of use* as at 31 December 2025 and as at 31 December 2024:

(Euro in thousands)	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	19,555	(15,122)	4,433	21,065	(13,889)	7,176
Plant and machinery - Rights of use	3,465	(729)	2,736	3,021	(449)	2,572
Equipment - Rights of use	1,310	(696)	614	1,310	(375)	935
Other assets - Rights of use	17,383	(5,340)	12,043	16,360	(3,670)	12,690
Total rights of use	41,713	(21,887)	19,826	41,756	(18,383)	23,373

The following table shows the changes in rights of use for the year ended 31 December 2025:

(Euro in thousands)	1 January 2025	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 December 2025
Buildings - rights of use	7,176	1,121	-	(347)	(3,476)	(41)	4,433
Plant and machinery - rights of use	2,572	483	-	-	(319)	-	2,736

Equipment - rights of use	935	110	-	-	(431)	-	614
Other assets - rights of use	12,690	4,924	-	(2,997)	(2,554)	(20)	12,043
Total rights of use	23,373	6,638	-	(3,344)	(6,780)	(61)	19,826

The item Rights of use as at 31 December 2025 amounted to Euro 19,826 thousand and decreased by Euro 3,547 thousand compared to the previous year in relation to the signing of lease contracts for the fleet of trenching machines, redeemed and sold to end users.

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 2025 and 2024 is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
Associates:		
Locavert SA	691	735
Subtotal	691	735
Joint Ventures:		
Condux Tesmec Inc	5,910	6,331
Groupe Marais SAS	6,564	-
Subtotal	12,474	6,331
Total Equity investments in associates evaluated using the equity method	13,165	7,066

Compared to the previous financial year, the item increased by Euro 6,099 thousand; Euro 6,564 thousand of this amount concerns the recognition of the equity investment in Groupe Marais SAS using the equity method following the transaction described in paragraph 6 *Assets and liabilities held for sale*.

This transaction resulted in the recognition of goodwill of Euro 4.1 million among the associate's net assets, which will be subject to impairment testing at least annually or to the identification of specific trigger events, as required by the applicable accounting principles.

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 2025 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 2025								
(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%	762	(44)	899	208	691	691	-
Joint Ventures:								
Condux Tesmec Inc.	50.00%	7,982	635	9,279	3,229	6,050	5,910	-
Groupe Marais SAS	50.00%	6,534	(739)	15,004	12,552	2,452	6,564	-
Marais Lucas Technologies Pty Ltd.	50.00%	-	-	157	1,784	(1,628)	-	1,628

The impairment test carried out on Condux Tesmec and Groupe Marais SAS revealed no permanent impairment losses. For information in this regard, please refer to paragraph 5 above.

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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Guarantee deposits	38	25
Financial receivables from third parties	5,962	9,706
Total financial receivables and other non-current financial assets	6,000	9,731

The item *Financial receivables and other non-current financial assets* decreased by Euro 3.731 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 1.138 thousand due to the partial write-down of certain receivables from certain counterparties in the trencher segment operating in countries in the African area, whose positions had been the subject matter in previous years of the definition of financially onerous payment plans that were not fully or partially fulfilled. The residual balance of the financial positions related to these cases, net of recognised write-downs, amounted to Euro 1.030 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.

Current assets

13 Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 31 December 2025 and as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Work in progress (Gross)	61,946	67,808
Advances from contractors	(27,695)	(31,074)
Work in progress contracts	34,251	36,734

"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 2025 compared to 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Raw materials and consumables	57,014	60,466
Work in progress	7,394	10,211
Finished products and goods for resale	21,637	22,610

Advances to suppliers for assets	1,619	2,847
Total inventories	87,664	96,134

The value of inventories with regard to raw materials and consumables, work in progress, finished products and goods for resale decreased compared to the prior financial year; in total, inventories decreased by 8.8%, equal to Euro 8,470 thousand.

The changes in the provisions for inventory obsolescence for the years ended 31 December 2025 and 2024 are indicated below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Value as at 1 January	8,690	8,095
Provisions	2,177	2,360
Reclassification	-	33
Change in the consolidation area	(11)	-
Uses	(2,141)	(1,948)
Exchange rate differences	(295)	150
Total provisions for inventory obsolescence	8,420	8,690

The value of the provisions for inventory obsolescence decreased by Euro 270 thousand.

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 2025 and 2024:

<i>(Euro in thousands)</i>	31 December	
	2025	2024
Trade receivables from third-party customers	56,419	53,599
Trade receivables from related parties	4,670	1,830
Total trade receivables	61,089	55,429

For terms and conditions relating to receivables from related parties, refer to paragraph 41.

Trade receivables as at 31 December 2025 amounted to Euro 61,089 thousand, up by Euro 5,660 thousand compared to the 2024 financial year.

The balance of trade receivables is shown net of provisions for doubtful accounts. This provision was calculated in an analytical manner by dividing the receivables in classes depending on the level of customer and country risk and by applying to each class an expected percentage of loss derived from historical experience, considered representative for the purposes of the forward-looking assessment of losses on receivables, in line with the treatment of Expected Credit Losses for IFRS 9.

The changes in the provisions for doubtful accounts for the financial years ended 31 December 2025 and 2024 are indicated in the table below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Value as at 1 January	9,861	9,745
Increases	-	2,401
Provisions	109	319
IFRS 5 reclassification	267	(2,109)
Uses	(242)	(407)
Reclassifications	231	-

Exchange rate differences	511	(88)
Total provisions for doubtful accounts	10,737	9,861

Provisions and uses related to the provisions for doubtful accounts are included in "other operating (costs)/revenues, net" of the income statement.

16 Tax receivables

The following table sets forth the breakdown of tax receivables as at 31 December 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
IRAP receivables	337	360
IRES receivables	563	727
Other direct income taxes	1,111	1,579
Total tax receivables	2,011	2,666

The item *tax receivables* increased compared to the previous financial year of Euro 655 thousand mainly due to the increase in direct taxes of Italian 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 2025 and 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Financial receivables from related parties	6,178	1,496
Financial receivables from third parties	15,784	34,160
Other current financial assets	120	84
Total financial receivables and other current financial assets	22,082	35,740

The decrease in *current financial assets* from Euro 35,740 thousand to Euro 22,082 thousand is mainly due to the decrease 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 Groupe Marais SAS of Euro 5,307 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 2025 and as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Prepaid expenses	6,536	5,070
VAT credit	5,213	3,359
Other receivables	2,649	2,436
Advance to suppliers for services	1,511	1,767
Other tax receivables	332	1,096
Total other current assets	16,241	13,728

Other current assets were considered receivable and therefore were not subject to value adjustment.

19 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2025 and as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Bank and post office deposits	40,396	29,521
Cash on hand	39	28
Other cash	125	10
Total cash and cash equivalents	40,560	29,559

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 2025 amounted to Euro 40,560 thousand and increased by Euro 11,001 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 2025 and as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Revaluation reserve	86	86
Extraordinary reserve	36,292	36,292
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(267)	(276)
Network reserve	825	825
Other reserves	(21,718)	(18,112)
Total other reserves	14,727	18,324

The *revaluation reserve* is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law no. 72/1983.

The value of translation difference has a negative impact on Shareholders' Equity of Euro 937 thousand as at 31 December 2025.

As a result of the resolution of 30 April 2025, with the approval of the 2024 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to carry forward the profit for the year of the Parent Company of Euro 3,356 thousand and allocate it to the legal reserve for 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 2025 and as at 31 December 2024, with separate disclosure of total loans and current portion:

	31 December			
	2025	of which current portion	2024	of which current portion
<i>(Euro in thousands)</i>				
Domestic fixed-rate bank loans	13,292	6,609	29,751	11,432
Domestic floating-rate bank loans	62,827	5,552	54,987	20,412
Foreign fixed-rate bank loans	758	445	2,356	1,519
Foreign floating-rate bank loans	10,788	995	13,443	1,243
Shareholder loan	1,635	1,635	2,099	200
Total medium/long-term loans	89,300	15,236	102,636	34,806
less current portion	(15,236)		(34,806)	
Non-current portion of medium/long-term loans	74,064		67,830	
Medium/long-term loan due to Simest	4,718	2,875	4,718	-
less current portion	(2,875)		-	
Medium/long-term loan due to Simest	1,843		4,718	
Total medium/long-term loans	75,907	18,111	72,548	34,806

Some loan contracts, the residual value of which at the end of the reporting period amounted to Euro 88,5 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.

The loan agreement of the subsidiary Tesmec USA, Inc. also provides for financial covenants to be calculated quarterly on the data of the combined financial statements of the Group's US subsidiaries. At the end of the reporting period, all the covenants in place were complied with.

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 2026, 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 geopolitical and macroeconomic context of volatility and uncertainty of the countries in which the Group operates, including the Middle East affected by war events during the first months of 2026. 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 2025, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Residual value as at 31 December 2025	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	13,292	6,609	6,683	-
Domestic floating-rate bank loans	62,827	5,552	46,384	10,891
Foreign fixed-rate bank loans	758	445	313	-
Foreign floating-rate bank loans	10,788	995	3,981	5,812

Shareholder loan	1,635	1,635	-	-
Total	89,300	15,236	57,361	16,703

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 2025, the residual amount was Euro 1,635 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			
	2025	of which with related parties and group	2024	of which with related parties and group
<i>(Euro in thousands)</i>				
Cash and cash equivalents	(40,560)		(29,559)	
Current financial assets	(22,384)	(6,178)	(35,740)	(1,496)
Current financial liabilities	83,891	2,516	98,135	1,081
Current financial liabilities from rights of use	9,624	3,042	10,454	2,714
Current portion of derivative financial instruments	-		47	
Current financial indebtedness	30,571	(620)	43,337	2,299
Non-current financial liabilities	81,762	-	80,124	1,899
Non-current financial liabilities from rights of use	18,019	490	23,314	3,781
Non-current portion of derivative financial instruments	83		176	
Trade payables and other non-current payables	-		-	
Non-current financial indebtedness	99,864	490	103,614	5,680
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	130,435	(130)	146,951	7,979
Trade payables and other non-current payables	-		-	
Group net financial indebtedness	130,435	(130)	146,951	7,979

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2025, is equal to Euro 102,792 thousand with a decrease of Euro 10,391 thousand compared to the end of 2024.

The net financial indebtedness as at 31 December 2025 decreased by Euro 16,490 thousand compared to the end of 2024 (-11.2%).

The table below shows the breakdown of the changes:

- decrease in current financial indebtedness of Euro 12.766 thousand due to the:
 - decrease in cash and cash equivalents and current financial assets of Euro 2.355 thousand;
 - decrease in current financial liabilities of Euro 14,244 thousand mainly due to the portions reimbursed in 2025 of 66,541 thousand;
- decrease in medium/long-term financial indebtedness of Euro 3,750 thousand following the syndicated loan transaction totalling Euro 53,384 thousand maturing on 31 December 2031, part of which was used for the partial early repayment of the medium/long-term indebtedness.

Some existing loan agreements, residual value of which at the end of the reporting period amounted to Euro 88,5 million, 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 2025 were met.

With regard to reverse factoring, the Group assesses, for each supplier, the deferral conditions obtained from financial counterparties on these liabilities and, depending on the substance of the liabilities, records them as trade

payables or reclassifies them as financial payables. This assessment is required to understand the substance of the deferral agreements and necessarily involves a subjective assessment of the elements to be considered for the purposes of whether or not the corresponding payable is included in the Group's financial liabilities. Pursuant to the aforementioned ESMA guidelines, it should be noted that the amounts relating to reverse factoring not included in the statement on indebtedness, in that the deferment is part of the Group's normal practice, amount to Euro 12,986 thousand (Euro 7,962 thousand as at 31 December 2024).

22 Non-current bond issue

The item relating to the non-current bond loan amounted to Euro 5,855 thousand and is related to the medium/long-term portion of the non-convertible, unlisted and unsecured bond loan, called "Tescmec 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 2025, the residual debt amounted to Euro 7,757 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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Non-current financial liabilities from rights of use	18,019	23,314
Current financial liabilities from rights of use	9,624	10,454
Total financial liabilities from rights of use	27,643	33,768

The balance of financial liabilities from rights of use as at 31 December 2025 amounted to Euro 27,643 thousand and decreased by Euro 6,125 thousand compared to the previous year following the signing of lease contracts relating to trencher machines.

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 2025 and 2024 are shown in the table below:

Counterparties	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal	Fair Value (Euro/000) as at 31 December	
							2025	2024
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01/02/2019	30/06/2025	142,857	-	2
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01/07/2020	30/06/2025	526,316	-	5
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18/05/2020	31/03/2025	833,333	-	6
INTESA	IRS	Fixed interest rate -0.18%	3-month Euribor	20/07/2021	30/06/2027	2,272,727	-	72
Credite Agricole	CAP	Fixed rate USD/EUR 1.1090	-	04/10/2024	15/01/2025	901,713	-	(60)
BCC Leasing	CAP	Fixed interest rate 2.94%	3-month Euribor	30/09/2024	31/03/2029	2,600,000	(35)	(62)
BCC Leasing	CAP	Fixed interest rate 3.05%	3-month Euribor	30/09/2024	30/06/2027	5,454,546	(48)	(114)
Credite Agricole	CAP	Variable rate	3-month Euribor	18/07/2023	30/09/2026	2,054,352	-	-
BCC Leasing	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	15,116,279	12	-

Deutsche Bank	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	5,813,953	5	-
Banco BPM	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	4,069,767	4	-
Assets for derivative instruments within the financial period							-	13
Assets for derivative instruments beyond the financial year							21	72
Liabilities for derivative instruments within the financial year							-	(60)
Liabilities for derivative instruments beyond the financial year							(83)	(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 2025 and 31 December 2024 of employee benefits:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Present value of the liability at the beginning of the period	3,915	4,110
Change in the deconsolidation area	12	-
Financial expense	125	116
Benefits accrued	375	142
Benefits paid	(450)	(472)
Loss (profit)	(43)	19
Present value of the liability at the end of the period	3,934	3,915

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

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Annual discount rate	4.00%	3.40%
Inflation rate	2.00%	2.00%
Total annual salary increase rate	3.00%	3.00%

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.

<i>(Euro in thousands)</i>	Discount rate	
	0.50%	0.50%
Effect on the aggregate current cost of the service and of the financial expenses	158	132
Reported value for liabilities with respect to defined benefit plans	3,757	4,119

Technical and demographic bases

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Mortality	2022 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Retirement age	5.00%	5.00%

Frequency of turnover and advances on severance indemnity

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Advance frequency %	1.27%	1.02%
Turnover frequency %	5.70%	3.60%

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 2025 financial year and the financial year as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Advances from banks against invoices and bills receivables	49,589	52,339
Payables due to factoring companies	13,343	10,005
Current account overdrafts	-	104
Short-term loans to third parties	65	-
Current portion of medium/long-term loans	13,601	34,606
Financial payables due to SIMEST	2,875	-
Financial payables to related parties	2,516	1,081
Total interest-bearing financial payables (current portion)	81,989	98,135

Current financial liabilities decreased by Euro 16,146 thousand, mainly due to a decrease in the current portion of medium- and long-term loans of Euro 21,005 thousand, mainly as a result of the syndicated loan transaction totalling Euro 53,384 thousand maturing on 31 December 2031, which extended the maturity of the existing bank debt. 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 relating to the current bond loan increased by Euro 1,902 thousand following the short-term reclassification of the non-convertible, unlisted and unsecured bond loan, called "Tescmec 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.

28 Trade payables

The breakdown of *Trade payables* as at 31 December 2025 and as at 31 December 2024, respectively, is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024

Trade payables due to third-party suppliers	90,895	77,275
Trade payables due to related parties	12,887	2,630
Total trade payables	103,782	79,905

Trade payables as at 31 December 2025 increased by Euro 23,877 thousand or 29.9% compared to the previous financial period.

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 2025 and as at 31 December 2024, respectively, is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
Current IRES tax liabilities	-	1,569
Current IRAP tax liabilities	683	791
Current USA tax liabilities	23	158
Other current taxes	787	672
Total income taxes payable	1,493	3,190

IREs and IRAP tax liabilities as at 31 December 2025 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 2025 and as at 31 December 2024 are indicated below:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Value as at 1 January	2,609	2,837
Provisions	100	50
Reclassifications	(79)	33
IFRS 5 reclassification	(12)	(256)
Uses	-	(78)
Exchange rate differences	(35)	23
Value as at 31 December	2,583	2,609

During the year, the provision was mainly used to cover the work under warranty carried out by Group technicians.

31 Other current liabilities

The following table sets forth the breakdown of *other current liabilities* as at 31 December 2025 and as at 31 December 2024:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Due to social security	1,915	1,515
Due to trade funds	287	(110)
Due to employees and collaborators	3,176	3,799
VAT debit	574	1,196
Due to others	1,924	2,128
Accrued expenses and liabilities	4,579	4,980
Other current taxes	1,495	2,415
Total other current liabilities	13,950	15,923

Other current liabilities decreased compared to the prior financial year of Euro 1,973 thousand and mainly refers to the decrease in Other current taxes of Euro 920 thousand.

32 Income taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2025 and as at 31 December 2024:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Deferred tax assets	13,825	14,748
Deferred tax liabilities	1,874	1,615

The breakdown of net deferred taxes as at 31 December 2025 and 2024 is shown in the following table by type by listing the items that present underlying temporary differences:

(Euro in thousands)	31 December		31 December		Financial year ended 31 December	
	Statement of financial position		Shareholders' equity		Income statement	
	2024	2024	2024	2024	2024	2024
Deferred tax assets						
Right of use translational leases	62	60	-	-	2	47
Obsolescence fund	1,846	1,999	(67)	27	(86)	162
Provisions for future risks and charges	261	303	(31)	14	(11)	(33)
Unrealised exchange-rate losses	-	-	-	(21)	-	(4,923)
Tax effect on UCC gain reversals	-	9	-	-	(9)	(11)
Tax effect on inter-company margin adjustments	3,924	4,002	329	26	(407)	508
Tax losses carried forward	4,086	4,666	323	(474)	(903)	(1,132)
Other temporary differences	3,646	3,709	(843)	(1,028)	780	(353)
Total deferred tax assets	13,825	14,748	(289)	(1,456)	(634)	(5,735)
Deferred tax liabilities						
Unrealised exchange rate gains	-	-	-	-	-	5,032
Difference of value USA building	(113)	(135)	16	(9)	6	6
Capitalisation of Development costs Tesmec USA	-	-	-	53	-	43
Deferred tax liabilities Tesmec USA	(141)	(158)	17	30	-	-
Profits allocated to network reserve	(218)	(218)	-	-	-	-
Tax effect on inter-company margin adjustments	(2)	(6)	3	-	1	14
Deferred tax liabilities of Group Marais	(348)	(356)	8	660	-	11
Other temporary differences	(1,052)	(742)	(144)	(126)	(166)	501
Total deferred tax liabilities	(1,874)	(1,615)	(100)	608	(159)	5,607
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	11,951					
Represented in the income statement as follows:						

Deferred tax assets	(634)		
Deferred tax liabilities	(159)		
Deferred tax liabilities, net	(793)		

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 2026-2028 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 2025, the Group released net deferred tax assets of Euro 793 thousand, of which Euro 1,085 thousand related to previous tax losses of the subsidiary operating in Australia net of Euro 292 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 18.8% of consolidated shareholders' equity (compared to 19% in the previous financial year), during the explicit forecast period of the 2026-2029 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 2025 and 2024 are summarised below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Consolidated pre-tax profit/(loss)	(215)	3,835
Current taxation:		
Italy	(736)	(2,399)
USA	(15)	(158)
Rest of the world	(647)	(914)
Deferred tax (liabilities)/assets		
Italy	509	650
USA	(366)	281
Rest of the world	(936)	(1,059)
Total Income taxes	(2,191)	(3,599)

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:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Profit before tax	(215)	3,835
IRES tax rate in force during the year	24.00%	24.00%
Theoretical tax charge	52	(920)
IRAP	(683)	(791)
Permanent tax differences	683	791
Effect of different tax rate for foreign companies	(2,243)	(2,679)
Total difference	(1,560)	(1,888)
Total tax charge as per income statement	(2,191)	(3,599)

Comments to the main items in the income statement

33 Revenues from sales and services

In the 2025 and 2024 financial years, revenues from sales and services amounted to Euro 257,606 thousand and Euro 239,546 thousand, respectively. The breakdown is set below:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Sales of products	215,338	202,103
Services rendered	39,632	33,534
Changes in work in progress	2,636	3,909
Total revenues from sales and services	257,606	239,546

In 2025, the Group achieved total revenues of Euro 257,606 thousand compared to Euro 239,546 thousand in 2024, recording an increase of 7.5%. This result is the combined effect of different trends in the three segments:

- **Energy:** with regard to the Energy segment, revenues amounted to Euro 96,647 thousand, increasing by 25.0% compared to the figure of Euro 77,315 thousand as at 31 December 2024. The positive performance was mainly driven by significant growth in the Stringing equipment segment, supported by robust and expanding demand in a market with favourable prospects – where Tesmec’s solutions are well positioned – and by a strong sales pipeline. The Automation segment also made a positive contribution, continuing the progressive implementation of the order backlog. More specifically, it should be noted that the Energy-Stringing segment achieved revenues of Euro 65,709 thousand, compared to Euro 50,808 thousand as at 31 December 2024 (+29.3%). The Energy-Automation segment achieved revenues of Euro 30,938 thousand, compared to Euro 26,507 thousand as at 31 December 2024.
- **Trencher:** revenues of the Trencher segment amounted to Euro 107,551 thousand, decreasing by 3.8% compared to Euro 111,851 thousand as at 31 December 2024. This change reflects the trends already observed during the financial year, which varied across different markets: on the one hand, there were strong results in Europe, North Africa, West Africa and the Americas, driven in particular by the recovery of the US market and the positive contribution from the LATAM region; on the other hand, there are signs of a slowdown in Oceania, Saudi Arabia and South Africa, attributable to delays in the launch of investment projects, with a recovery expected in 2026.
- **Rail:** the Rail segment recorded Revenues of Euro 53.408 million, up 6.0% compared to Euro 50.380 million recorded as at 31 December 2024, thanks to the progress of orders already acquired and the impact of the new strategic approach, focused on high-value diagnostic projects and international diversification. Confirming the role of diagnostic vehicles as a key element in the digitalisation of the rail network, Tesmec’s bimodal “TIPO 4” vehicle is an integral part of the fleet renewal plan and a symbol of RFI’s technological innovation.

In the 2025 financial year, revenues of Euro 15.8 million (Euro 18.2 million as at 31 December 2024) were recognised relating to the machinery that had been completed (mainly trenchers) but had not yet been shipped to the customer (bill and hold) as at 31 December 2025 for reasons beyond the Group’s control. These revenues were recognised in the income statement since the requirements of IFRS 15 were met, including the presence of a substantial reason (such as the customer’s request supported by objective and substantial circumstances), as well as the fact that the product was separately identified and is 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 involved a subjective assessment by Management regarding the elements to be considered and their scope in relation to the transaction in question.

34 Cost of raw materials and consumables

For the financial years as at 31 December 2025 and 31 December 2024, cost of raw materials and consumables amounted to Euro 115,803 thousand and Euro 108,978 thousand, respectively.
The breakdown of the item is as in the following table:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Cost for the purchase of raw materials and consumables	113,873	94,663
Change in inventories	2,115	14,315
Total cost of raw materials and consumables	115,988	108,978

Cost of raw materials and consumables increased by Euro 7,010 thousand (6.4%) less than the increase in sales volumes (7.5%).

35 Costs for services

The table below shows the breakdown of costs for services that amounted in 2025 and in 2024 to Euro 52,370 thousand and Euro 42,687 thousand, respectively.

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Transport, customs and incidental expenses	11,059	6,591
Outsourced work service	9,865	7,846
External production services	1,837	1,052
Services for legal, tax, technical and other consultancy	14,354	12,040
Banking services	1,082	1,434
Information systems services	800	1,122
Insurance	1,919	2,167
Energy, water, gas, telephone expenses and postage	1,553	1,544
Board and lodging expenses and travelling allowance	4,049	3,732
Directors' and Auditors' fees	1,328	1,164
Advertising and other selling expenses	953	1,051
Maintenance services	962	1,079
Commissions and additional expenses	1,785	1,033
Other general expenses	824	832
Total costs for services	52,370	42,687

The item costs for services increased by Euro 9,683 thousand compared to the previous financial year and mainly concerns the item *Transport, customs and incidental expenses* of Euro 4,468 thousand, the item *Services for legal, tax, technical and other consultancy* of Euro 2,314 thousand and the item *Outsourced work service* of Euro 2,019 thousand relating to the increased use of outsourced work in the stringing equipment segment.

36 Payroll costs

During the financial years ended 31 December 2025 and 31 December 2024, payroll costs amounted to Euro 54,500 thousand and Euro 53,003 thousand, respectively, down by 2.8%.

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Wages and salaries	42,526	41,679
Social security charges	8,719	8,127
Employee severance indemnity	1,853	1,770
Other personnel costs	1,402	1,427
Total payroll costs	54,500	53,003

37 Other operating (costs)/revenues, net

During the financial years ended 31 December 2025 and 31 December 2024, *other operating (costs)/revenues, net* amounted to Euro 6,991 thousand and Euro 4,702 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	2025	2024
Provisions for risks and other provisions	109	319
Rents	600	921
Hiring	4,918	2,120
Sundry taxes	1,012	787
Other revenues	(2,218)	(3,489)
Other	2,570	4,044
Total other operating (costs)/revenues, net	6,991	4,702

The item *Other operating (costs)/revenues, net* increased by Euro 2,389 thousand compared to the previous year and mainly concerns the item rental of Euro 2,798 thousand.

Other revenues include the value of the benefit of the tax credit for 2025 of Euro 163 thousand compared to Euro 286 thousand for 2024, other types of contributions received from government entities of Euro 687 thousand.

The item Provisions for risks and other provisions of Euro 109 thousand is related to the allowance for short-term doubtful receivables.

38 Amortisation and depreciation

During the financial years ended 31 December 2025 and 31 December 2024, depreciation and amortisation amounted to Euro 20,978 thousand and Euro 20,666 thousand, respectively, with a 1.5% increase. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	2025	2024
Amortisation of intangible assets	10,173	8,633
Depreciation of property, plant and equipment	4,023	4,556
Depreciation of right of use	6,780	7,477
Total amortisation and depreciation	20,976	20,666

39 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2025 and 31 December 2024 amounted to Euro 12,273 thousand and Euro 10,559 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 whilst implementing a careful policy for monitoring these capitalisations.

40 Financial expenses

During the financial years ended 31 December 2025 and 31 December 2024, *financial expenses* amounted to Euro 24,035 thousand and Euro 21,970 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	2025	2024
Bank interest expenses	422	515
Interests payable for factoring and billing discounts	3,060	2,021
Interests payable on interest-bearing medium/long-term loans and borrowings	6,690	7,378
Interests payable on advance loans on exports	2,529	2,918
Other sundry financial expenses	1,748	1,345
Financial expenses on rights of use	2,189	2,952
Realised foreign exchange losses	1,480	455

Unrealised foreign exchange losses	5,082	3,629
Provision for risks on financial receivables	47	271
Fair value adjustment of derivative instruments	0	486
Total financial expenses	23,247	21,970

Financial expenses increased by Euro 1,277 thousand compared to the previous financial year mainly due to realised and unrealised foreign exchange gains totalling Euro 2,478 thousand.

41 Financial income

During the financial years ended 31 December 2025 and as at 31 December 2024, financial income amounted to Euro 3,556 thousand and Euro 5,365 thousand, respectively. The breakdown of the item is as follows:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Interests from banks	106	69
Realised foreign exchange gains	1,094	625
Unrealised foreign exchange gains	2,106	3,767
Fair value adjustment of derivative instruments	114	-
Sundry financial income	62	290
Interest income from customers	75	614
Total financial income	3,557	5,365

Financial income decreased by Euro 1,808 thousand compared to the previous financial year mainly due to lower realised and unrealised foreign exchange gains totalling Euro 1,192 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									
	2025					2024				
	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
<i>(Euro in thousands)</i>										
Intangible assets	17,641	12,605	16,184	-	46,430	15,590	11,707	14,941	-	42,238
Property, plant and equipment	3,231	27,475	6,678	-	37,384	3,641	23,428	7,091	-	34,160
Rights of use	2,187	15,165	2,474	-	19,826	2,761	17,942	2,670	-	23,373
Financial assets	5,913	13,302	13	-	19,228	6,334	8,297	2,281	-	16,912
Other non-current assets	1,036	13,551	720		15,307	1,045	16,006	617		17,668
Total non-current assets	30,008	82,098	26,069	-	138,175	29,371	77,380	27,600	-	134,351
Work in progress contracts	5,301	-	28,950	-	34,251	5,284	-	31,450	-	36,734
Inventories	23,926	57,279	6,459	-	87,664	24,112	63,762	8,260	-	96,134
Trade receivables	10,200	44,864	6,025	-	61,089	8,899	39,636	6,894	-	55,429
Other current assets	2,073	29,725	8,838	-	40,636	1,438	36,702	14,007	-	52,147
Cash and cash equivalents	7,663	23,096	6,750	3,051	40,560	3,099	21,375	3,317	1,768	29,559
Total current assets	49,163	154,964	57,022	3,051	264,200	42,832	161,475	63,928	1,768	270,003
Total non-current assets held for sale	-	-	-	-	-	-	19,597	-	-	19,597
Total assets	79,171	237,062	83,091	3,051	402,375	72,203	258,452	91,528	1,768	423,951
Group shareholders' equity	-	-	-	70,755	70,755	-	-	-	74,528	74,528
Shareholders' equity attributable to non-controlling interests	-	-	-	2,975	2,975	-	-	-	3,084	3,084
Total shareholders' equity	-	-	-	73,730	73,730	-	-	-	77,612	77,612
Non-current financial liabilities	262	313	6,597	74,673	81,845	660	838	10,560	68,242	80,300
Non-current financial liabilities from rights of use	640	12,321	2,253	2,805	18,019	706	13,774	3,054	5,780	23,314
Other non-current liabilities	1,429	2,097	2,282	-	5,808	1,437	2,007	2,086	-	5,530
Non-current liabilities	2,331	14,731	11,132	77,478	105,672	2,803	16,619	15,700	74,022	109,144
Current financial liabilities	9,841	1,891	10,104	62,055	83,891	10,261	2,628	14,838	70,468	98,195
Current financial liabilities from rights of use	260	4,346	1,037	3,981	9,624	334	4,855	1,488	3,777	10,454
Trade payables	31,465	56,279	16,038	-	103,782	21,512	40,797	17,596	-	79,905
Other current liabilities	6,655	12,838	6,183	-	25,676	5,257	12,984	6,728	-	24,969
Total current liabilities	48,221	75,354	33,362	66,036	222,973	37,364	61,264	40,650	74,245	213,523
Total liabilities held for sale	-	-	-	-	-	-	23,672	-	-	23,672
Total liabilities	50,552	90,085	44,494	143,514	328,645	40,167	101,555	56,350	148,267	346,339
Total shareholders' equity and liabilities	50,552	90,085	44,494	217,244	402,375	40,167	101,555	56,350	225,879	423,951

	Financial year ended 31 December							
	2025				2024			
	Energy	Trencher	Rail	Consolidated	Energy	Trencher	Rail	Consolidated
<i>(Euro in thousands)</i>								
Revenues from sales and services	96,647	107,551	53,408	257,606	77,315	111,851	50,380	239,546
Operating costs net of depreciation and amortisation	(77,271)	(96,599)	(43,241)	(217,111)	(65,949)	(91,661)	(40,834)	(198,444)
EBITDA	19,376	10,952	10,167	40,495	11,366	20,190	9,546	41,102
Amortisation/Depreciation	(6,246)	(9,390)	(5,340)	(20,976)	(6,054)	(10,439)	(4,173)	(20,666)
Total operating costs	(83,517)	(105,989)	(48,581)	(238,087)	(72,003)	(102,100)	(45,007)	(219,110)
Operating income	13,130	1,562	4,827	19,519	5,312	9,751	5,373	20,436
Net financial income/(expenses)				(19,734)				(16,601)
Pre-tax profit/(loss)				(215)				3,835
Income tax				(2,191)				(3,599)
Net profit/(loss) for the year of continuing operations				(2,406)				236
Net profit/(loss) for the year of assets held for sale				4,533				(5,053)
Net profit/(loss) for the year				2,127				(4,817)
Profit/(loss) attributable to non-controlling interests				436				364
Group profit/(loss)				1,691				(5,181)

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 2025, the breakdown of each related party is indicated below:

	31 December							31 December						
	2025							2024						
	Trade receivables	Current financial receivables	Non-current financial payables	Non-current liabilities from rights of use	Current financial payables	Current liabilities from rights of use	Trade payables	Trade receivables	Current financial receivables	Non-current financial payables	Non-current liabilities from rights of use	Current financial payables	Current liabilities from rights of use	Trade payables
<i>(Euro in thousands)</i>														
Associates:														
Locavert S.A.	17	-	-	-	-	-	-	35	-	-	-	-	-	-
Subtotal	17	-	-	-	-	-	-	35	-	-	-	-	-	-
Joint Ventures:														
Condux Tesmec Inc.	1,830	-	-	-	-	-	65	1,222	310	-	-	-	-	86
Groupe Marais SAS	2,460	5,307	-	-	-	-	8,623	-	-	-	-	-	-	-
Marais Lucas	-	794	-	-	-	-	-	-	794	-	-	-	-	-
Subtotal	4,290	6,101	-	-	-	-	8,688	1,222	1,104	-	-	-	-	86
Related parties:														
Ambrosio S.r.l.	-	-	-	-	-	-	5	-	-	-	-	-	-	39
Dream Immobiliare S.r.l.	8	77	-	490	-	3,042	3,800	-	77	-	3,781	-	2,714	2,199
Fi.ind.	16	-	-	-	-	-	-	12	-	-	-	-	-	-
TTC S.r.l.	-	-	-	-	-	-	134	-	-	-	-	-	-	75
Triskell Conseil Partner	-	-	-	-	-	-	34	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	326	-	-	-	1,422	-	90	552	315	1,686	-	200	-	117
RX S.r.l.	11	-	-	-	1,094	-	136	9	-	213	-	881	-	114
ICS Tech. S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TCB Sport S.r.l.	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	363	77	-	490	2,516	3,042	4,199	573	392	1,899	3,781	1,081	2,714	2,544
Total	4,670	6,178	-	490	2,516	3,042	12,887	1,830	1,496	1,899	3,781	1,081	2,714	2,630

	Financial year ended 31 December					Financial year ended 31 December				
	2025					2024				
	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
<i>(Euro in thousands)</i>										
Associates:										
Locavert S.A.	44	-	-	-	-	84	-	-	(24)	-
Subtotal	44	-	-	-	-	84	-	-	(24)	-
Joint Ventures:										
Condux Tesmec Inc.	5,293	(8)	(92)	327	3	2,665	(5)	(162)	277	91
Groupe Marais SAS	3,833	(249)	(458)	(1,081)	32					
Subtotal	9,126	(257)	(550)	(754)	35	2,665	(5)	(162)	277	91
Related parties:										
Ambrosio S.r.l.	-	-	-	(5)	(2)	-	-	-	(4)	(2)
Dream Immobiliare S.r.l.	-	-	-	(43)	(208)	-	-	-	(100)	(290)
Fi.ind.	-	-	-	3	-	-	-	-	3	-
TTC S.r.l.	-	-	(92)	6	-	-	-	(114)	6	-
M.T.S. Officine meccaniche S.p.A.	819	(9)	(2)	14	(86)	1,375	(4)	(2)	13	(113)
RX S.r.l.	-	-	-	2	(22)	-	-	-	2	(22)
ICS Tech. S.r.l.	-	-	-	-	-	-	-	-	1	-
TCB Sport S.r.l.	-	-	-	2	-	-	-	(2)	2	-
Subtotal	819	(9)	(94)	(21)	(318)	1,375	(4)	(118)	(77)	(427)
Total	9,989	(266)	(644)	(775)	(283)	4,124	(9)	(280)	176	(336)

44 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2025:

Board of Directors				
Name and Surname	Office	Fees (in Euro)	Bonus and other fees (in Euro)	Total fees (in Euro)
Ambrogio Caccia Dominioni	Chairman	353,333	-	353,333
Gianluca Bolelli	Vice Chairman	110,552	-	110,552
Caterina Caccia Dominioni	Chief Executive Officer	96,667	-	96,667
Carlo Caccia Dominioni	Chief Executive Officer	73,333	-	73,333
Simone Andrea Crolla	Director	33,333	-	33,333
Emanuela Teresa Basso Petrino	Director	62,400	-	62,400
Anna Casiraghi	Director	20,000	-	20,000
Nicola Gavazzi	Director	33,333	-	33,333
Francesca Marino	Director	28,037	-	28,037
Antongiulio Marti	Director	40,000	-	40,000
Guido Luigi Traversa (until 30 April 2025)	Director	13,333	-	13,333
Paola Durante (until 30 April 2025)	Director	16,667	-	16,667
Lucia Caccia Dominioni (until 30 April 2025)	Director	10,000	-	10,000
Nicola Iorio (until 30 April 2025)	Director	10,000	-	10,000

Board of Statutory Auditors				
Name and Surname	Office	Fees (in Euro)	Bonus and other fees (in Euro)	Total fees (in Euro)
Simone Cavalli	Chairman	42,287	-	42,287
Attilio Massimo Franco Marcozzi	Statutory Auditor	28,169	-	28,169
Alice Galimberti (from 26 March 2025)	Statutory Auditor	22,114	-	22,114
Laura Braga (until 26 March 2025)	Statutory Auditor	6,055	-	6,055

Fees paid to executives with strategic responsibilities in the 2025 financial year amounted to Euro 350 thousand (Euro 404 thousand in the 2024 financial year).

45 Legal and tax disputes

At the end of the reporting period, the Tesmec Group is party to a number of tax disputes.

The scope of assessment of the tax audits in progress described below amounts to a total of approximately Euro 1.6 million, with respect to which the Group, by virtue of the positive results of the judgements made so far and the opinions received from its consultants, believes that the risk of losing is possible or remote, therefore it has not set aside any provision in the financial statements for any liabilities deriving from them, in accordance with the accounting standards of reference that require the allocation of liabilities for probable and quantifiable risks.

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. This appeal was upheld in full by the Tax Court of first instance of Bergamo on 14 December 2023 and subsequently, following an appeal lodged by the Italian Inland Revenue against this decision, by the Tax Court of second instance of Lombardy on 26 September 2025.

In January 2025, this subsidiary 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. In line with the above assessment, the Italian Inland Revenue challenged the Company's undue utilisation in 2018 and 2019 of R&D tax credits totalling Euro 1.1 million. The Company believes it has acted correctly in this case too and has filed its counterclaims with the assistance of its advisors. The Tax Court of first instance of Bergamo, by order of 2 October 2025, suspended the tax assessments in question, pending the final judgement of the successful dispute – both in first and second instance – concerning the 2017 tax year, as referred to in the previous point.

In relation to the latter dispute, in July 2025, the Company received a deed of collection for misuse to offset in 2020 the Research and Development tax credit for the 2018 tax year totalling Euro 120 thousand, plus penalties and interest. Also in this case, the Tax Court of first instance of Bergamo, by order of 22 January 2026, suspended the proceedings, pending the final judgement on the dispute concerning the 2017 tax year, as referred to in the previous point.

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 the parent company in full. The Italian Inland Revenue appealed against this decision and the hearing is still to be set.

It should be noted that, for the years not subject to dispute, the parent company Tesmec S.p.A. and its subsidiaries Tesmec Rail S.r.l. and Tesmec Automation S.r.l. requested and obtained the MIMIT certification for research and development projects, the costs of which generated tax credits in previous financial years. This certification, issued by an expert registered with the MIMIT Register, confirms the eligibility of the research activity and the entitlement to the accrued tax credit, which is therefore fully validated.

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 2025 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 2025 and 2024, they are summarised as follows:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Sureties	162,854	167,975
Total commitments and risks	162,854	167,975

The amount recorded concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers, especially on long-term orders and mainly for the Rail and Automation segments, which follow specific redemption, closing and opening plans from year to year. 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 2025 and 2024 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	2025	2024
Audit of the financial statements and consolidated financial statements	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	195	150
	Italian subsidiaries	Deloitte & Touche S.p.A.	72	62
	Foreign subsidiaries and JV	Deloitte network	71	120
Limited half-year auditing	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	28	28
Limited auditing of sustainability reporting	Tesmec S.p.A. Parent Company	Deloitte & Touche S.p.A.	100	118
Total			466	478

49 Significant events occurred after the reporting year

Significant events occurred after the reporting period:

- On 5 March 2026, the subsidiary Tesmec Rail S.r.l. was awarded two contracts with SŽ-Infrastruktura d.o.o., the company responsible for traffic management, maintenance and the operation of the public rail network in Slovenia.
The two contracts with a duration of 4.5 years and a total value of Euro 71 million, cover the supply of 21 technological vehicles to support the management, maintenance and safety of Slovenia's rail infrastructure, in line with European standards. The orders confirm the Group's ability to transform the know-how gained in Italy into competitive solutions on a European scale, capitalising on the investments made on the platform, which is now used as a modular and scalable product across multiple markets in the rail segment.

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 Chairman of the Board of Directors and 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 2025 financial year.

2. We also certify that:

- 2.1 the consolidated financial statements as at 31 December 2025:

- 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, 11 March 2026

Mr Ambrogio Caccia Dominioni

Chairman of the Board
of Directors

Mr Ruggero Gambini

Manager responsible for preparing
the Company's financial statements

FINANCIAL STATEMENTS OF TESMEC S.P.A.

Statement of financial position

		31 December	
(in Euro)	Notes	2025	2024
NON-CURRENT ASSETS			
Intangible assets	4	14,971,598	13,074,178
Property, plant and equipment	5	8,812,638	9,241,792
Rights of use	6	7,213,594	9,625,557
Equity investments in subsidiaries	7	84,540,998	81,540,998
Equity investments in associates	7	1,007,773	1,007,763
Other equity investments		37,808	39,308
Financial receivables and other non-current financial assets	8	39,327,501	25,094,478
of which with related parties:		33,754,047	19,299,297
Derivative financial instruments	18	20,735	71,832
Deferred tax assets	26	2,527,667	1,918,825
TOTAL NON-CURRENT ASSETS		158,460,312	141,614,731
Inventories	9	33,105,880	28,714,686
Trade receivables	10	53,268,113	46,791,589
of which with related parties:		37,840,355	28,687,749
Tax receivables		666,048	853,516
Other available-for-sale securities		201,563	-
Financial receivables and other current financial assets	11	46,409,480	65,407,507
of which with related parties:		41,744,561	58,016,651
Current derivative financial instruments	18	-	12,689
Other current assets	12	7,380,897	5,240,513
of which with related parties:		3,325,723	1,186,538
Cash and cash equivalents	13	15,707,044	12,805,059
TOTAL CURRENT ASSETS		156,739,025	159,825,559
TOTAL ASSETS		315,199,337	301,440,290
SHAREHOLDERS' EQUITY			
Share capital	14	15,702,162	15,702,162
Reserves	14	83,272,899	79,889,529
Net profit/(loss) for the year	14	(206,608)	3,355,589
TOTAL SHAREHOLDERS' EQUITY		98,768,453	98,947,280
NON-CURRENT LIABILITIES			
Medium/long-term loans	15	58,943,257	48,290,508
of which with related parties:		-	1,899,000
Non-current bond issue	16	5,854,732	7,576,000
Non-current financial liabilities from rights of use	17	2,805,379	5,754,578
of which with related parties:		255,440	3,240,971
Derivative financial instruments	18	82,510	175,591
Employee benefit liability	19	723,997	896,113
Deferred tax liabilities	26	220,384	214,187
TOTAL NON-CURRENT LIABILITIES		68,630,259	62,906,977
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	20	64,354,768	74,068,514
of which with related parties:		6,830,776	4,985,790
Current bond issue	21	1,902,064	-
Current financial liabilities from rights of use	17	3,963,905	3,659,166
of which with related parties:		2,985,531	2,593,862
Derivative financial instruments	18	-	60,230
Trade payables	22	63,609,833	52,850,961
of which with related parties:		12,746,557	13,167,988
Advances from customers		6,502,897	1,175,940
Income taxes payable	23	261,266	1,824,659
Provisions for risks and charges	24	513,605	413,605
Other current liabilities	25	6,692,287	5,532,958

<i>of which with related parties:</i>	2,027,083	4,544
TOTAL CURRENT LIABILITIES	147,800,625	139,586,033
TOTAL LIABILITIES	216,430,884	202,493,010
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	315,199,337	301,440,290

Income statement

(in Euro)	Notes	Financial year ended 31 December	
		2025	2024
Revenues from sales and services	27	133,673,281	124,328,820
<i>of which with related parties:</i>		39,273,864	30,134,218
Cost of raw materials and consumables	28	(73,383,910)	(74,768,789)
<i>of which with related parties:</i>		(10,658,059)	(12,269,802)
Costs for services	29	(25,296,059)	(22,154,498)
<i>of which with related parties:</i>		(2,753,540)	(2,424,353)
Payroll costs	30	(25,667,315)	(25,030,510)
Other net operating costs/revenues	31	812,402	5,094,115
<i>of which with related parties:</i>		3,243,147	6,285,874
Amortisation/Depreciation	32	(7,699,030)	(7,394,430)
Development costs capitalised	33	5,010,511	4,190,301
Total operating costs		(126,223,401)	(120,063,811)
Operating income		7,449,880	4,265,009
Financial expenses	34	(17,444,752)	(16,227,059)
<i>of which with related parties:</i>		(806,601)	(573,220)
Financial income	35	9,122,766	15,764,761
<i>of which with related parties:</i>		5,575,704	9,392,166
Pre-tax profit/(loss)		(872,106)	3,802,711
Income tax	26	665,498	(447,122)
Net result for the year		(206,608)	3,355,589

Comprehensive income statement

(in Euro)	Notes	Financial year ended 31 December	
		2025	2024
NET RESULT FOR THE YEAR		(206,608)	3,355,589
Other components of comprehensive income:			
<i>Other components of comprehensive income that will not be subsequently reclassified to net profit/(loss) for the year:</i>			
Actuarial profit/(loss) on defined benefit plans	19	22,903	42,489
Income tax		4,878	(10,197)
		27,781	32,292
Total other profit/(loss) after tax		27,781	32,292
Total comprehensive income (loss) after tax		(178,827)	3,387,881

Cash flow statement

		Financial year ended 31 December	
(in Euro)	Notes	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the year		(206,608)	3,355,589
<i>Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:</i>			
Depreciation	32	7,699,030	7,394,430
Provisions for employee benefit liability	19	1,161,195	1,217,740
Provisions for risks and charges/inventory obsolescence/doubtful accounts	9-10-24	1,101,200	1,433,845
Employee benefit payments	19	(1,296,757)	(1,476,181)
Payments/use of provisions for risks and charges	24	-	(70,000)
Net change in deferred tax assets and liabilities	26	(611,418)	(201,791)
Change in fair value of financial instruments	18	(89,524)	486,110
<i>Change in operating assets and liabilities:</i>			
Trade receivables	10	(1,170,401)	(3,761,656)
<i>of which with related parties:</i>		(10,174,298)	(191,193)
Inventories	9	(5,324,527)	5,523,420
Trade payables	22	10,758,872	6,193,682
<i>of which with related parties:</i>		(421,431)	4,408,298
Other current assets and liabilities		(2,356,980)	(2,038,265)
<i>of which with related parties:</i>		(1,713,999)	66,070
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		9,664,082	18,056,923
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	5	(422,167)	(1,095,019)
Investments in intangible assets	4	(5,183,124)	(4,608,195)
Investments in rights of use	6	(1,197,783)	(4,759,362)
(Investments)/disposals of financial assets		1,517,897	(13,893,137)
<i>of which with related parties:</i>		1,817,340	(3,034,662)
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	4-5-6	47,740	784,273
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		(5,237,437)	(23,571,440)
CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	15	53,384,284	21,000,000
<i>of which with related parties:</i>		(1,899,000)	-
Recognition of financial liabilities from rights of use	17	1,197,783	4,758,609
<i>of which with related parties:</i>		(2,985,531)	(595,087)
Repayment of medium/long-term loans	15-16	(55,519,481)	(31,393,380)
Repayment of financial liabilities from rights of use	17	(3,842,243)	(4,892,354)
Net change in short-term financial liabilities	17-20-21	3,254,997	6,562,553
<i>of which with related parties:</i>		2,236,655	5,646,655
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		(1,524,660)	(3,964,572)
TOTAL CASH FLOW FOR THE YEAR (D=A+B+C)		2,901,985	(9,479,089)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	13	12,805,059	22,284,148
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		15,707,044	12,805,059
Additional information:			
Interest paid		9,433,393	10,073,827
Income tax paid		1,525,730	1,746,035

Statement of changes in shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Other reserves	Profit/(loss) for the period	Total shareholders' equity
<i>(in Euro)</i>							
Balance as at 1 January 2024	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
Net result for the year	-	-	-	-	-	(206,608)	(206,608)
Other changes	-	-	-	-	27,781	-	27,781
Total comprehensive income/(loss)	-	-	-	-	27,781	(206,608)	(178,827)
Allocation of profit for the year	-	167,985	-	-	3,187,604	(3,355,589)	-
Balance as at 31 December 2025	15,702,162	2,684,328	39,215,221	(2,340,969)	43,714,320	(206,608)	98,768,453

Explanatory notes

Accounting policies adopted in preparing the financial statements as at 31 December 2025

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 EURONEXT STAR Milan 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 period ended 31 December 2025 was authorised by means of the resolution of the Board of Directors on 11 March 2026.

2 Reporting standards

The financial statements of Tesmec S.p.A. as at 31 December 2025 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 2025. 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 2024, 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, based on the provisions of the Budget and the underlying cash plan drawn up by management. 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 - in the context of the current geopolitical uncertainty - 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 implement their plans and 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.

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 cash-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 New IFRS accounting standards, amendments and interpretations applied from 1 January 2025

The following IFRS Accounting Standards, amendments and interpretations were applied by the Group for the first time on 1 January 2025.

- 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 identify 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 adoption of this amendment did not have any effect on the Company's financial statements.

2.4 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 2025

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 mandatorily applicable and have not been adopted in advance by the Company as at 31 December 2024.

- 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 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;
 - criteria 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 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.

2.5 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 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 statement of cash flows, including the requirement to use the operating income as the starting point for the presentation of the statement of cash flows 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.

- On 13 November 2025, the IASB published a document called **"Translation to a Hyperinflationary Presentation Currency – Amendment to IAS 21"**, which clarifies the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:
 - its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or,
 - it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments will apply as from the financial statements for years beginning on or after 1 January 2027. The directors do not expect an effect on the Company's financial statements through the adoption of this amendment.

- On 30 January 2014, the IASB published **IFRS 14 – Regulatory Deferral Accounts**, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to Rate Regulation Activities in accordance with the previously adopted accounting standards. Since the Company is not a first-time adopter, this standard is not applicable.

2.5 Discretionary evaluation and significant accounting estimates

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these accounting estimates affects the book value of contingent assets and liabilities at the end of the reporting year as well as the amounts of income and expenses during the reporting year. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Summarised below are those accounting estimates used in the preparation of financial statements and interim reports that are considered critical because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. The Group based its estimates and assumptions on parameters available at the time of preparation of the consolidated financial statements. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

Deferred tax assets

Deferred tax assets are recognised for all the temporary differences and all retained tax losses, in so far as the existence of adequate taxable future profits for which such losses may be used is likely. Directors are requested a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the probable time in which it will reveal itself and the amount of taxable future profits as well as a future tax planning strategy.

Employee benefits

Post-employment benefit plans arising from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including, among others, discount rates, expected rates of salary increases, mortality rates, retirement dates and medical cost trends. Since these are long-term plans, such estimates are subject to a significant level of uncertainty and are sensitive to changes in hiring. All 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.

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 2025, 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 33,1 million, with a negative equivalent value of Euro 62 thousand.

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.

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 2025 financial year (compared to 2024) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2025 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 2025 financial year (compared to 2024) 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 2025 financial year (compared to 2024).
- 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 2025, 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 2026 financial year of Euro 165 thousand, offset by f Euro 1 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 50 thousand.

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.

	Interests					
	31 December 2025			31 December 2024		
	Residual debt	Impact on IS +100 bps	Impact on IS -30 bps	Residual debt	Impact on IS +100 bps	Impact on IS -30 bps
<i>(Euro in thousands)</i>						
Borrowings/Bond issue	137,824	(165)	50	139,349	(78)	23
Total Loans	137,824	(165)	50	139,349*	(78)	23
<i>(Euro in thousands)</i>	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	33,055	1	-	19,222	(5)	1
Total Derivative instruments	33,055	1	-	19,222	(5)	1
Total		(164)	50		(83)	24

* The residual debt is considered before amortised costs.

	Fair value sensitivity of derivatives									
	Financial year ended 31 December 2025									
	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
<i>(Euro in thousands)</i>										
Derivative instruments hedging cash flows	33,055	(62)	(62)	(61)	(113)	-	(62)	(62)	(114)	-
Total	33,055	(62)	(62)	(61)	(113)	-	(62)	(62)	(114)	-
	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
<i>(Euro in thousands)</i>										
Derivative instruments hedging cash flows	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-
Total	19,222	(151)	(151)	(150)	481	-	(152)	(153)	488	-

With reference to the situation as at 31 December 2025, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of

Euro 1131 thousand, with an impact only on the Income statement of the 2026 financial year. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of Euro 114 thousand, with an impact only on the Income Statement of the 2026 financial year.

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.

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 2025 and to 2024 financial years, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2025						Total g=a+b+c+d+e+f
	Financial payables		Bonds		Trade payables	Financial instruments	
	Capital a	Interests b	Capital c	Interests d	e	f	
<i>(Euro in thousands)</i>							
Within 12 months	68,319	4,770	1,902	577	63,610	-	139,178
Between 1 and 2 years	15,170	3,818	1,925	426	-	48	21,387
Between 2 and 3 years	13,661	2,856	1,951	274	-	-	18,742
Between 3 and 4 years	11,102	1,990	1,979	115	-	35	15,221
Between 4 and 5 years	10,924	1,226	-	-	-	-	12,150
Over 5 years	10,891	471	-	-	-	(21)	11,341
Total	130,067	15,131	7,757	1,392	63,610	62	218,019

Maturity	31 December 2024						Total g=a+b+c+d+e+f
	Financial payables		Bonds		Trade payables	Financial instruments	
	Capital a	Interests b	Capital c	Interests d	e	f	
<i>(Euro in thousands)</i>							
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

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 2025 and 31 December 2024).

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.

	2025 Exposure in foreign currency (USD)			2025 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)
Exposure with regard to equity items					
Trade receivables	21,034	-	21,034	(895)	895
Trade payables	-	(4,754)	(4,754)	202	(202)
Financial receivables	2,504	-	2,504	(107)	107
Total gross exposure with regard to equity items	23.538	(4,754)	18,784	(800)	800
Derivative instruments	-	-	-	-	-

	2024 Exposure in foreign currency (USD)			2024 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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (ZAR)			2025 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)
Exposure with regard to equity items					
Trade receivables	22,447	-	22,447	(58)	58
Financial receivables	-	-	-	-	-
Trade payables	90,686	-	90,686	(233)	233
Total gross exposure with regard to equity items	113,133	-	113,133	(291)	291
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (AUD)			2025 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)
Exposure with regard to equity items					
Trade receivables	-	-	-	-	-
Trade payables	-	-	-	-	-
Financial receivables	9,427	-	9,427	(268)	268
Total gross exposure with regard to equity items	9,427	-	9,427	(268)	268
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (CNY)			2025 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)
Exposure with regard to equity items					
Trade receivables	300	-	300	(2)	2
Trade payables	-	(12.804)	(12.804)	78	(78)
Financial receivables	14.617	-	13.496	(89)	89
Total gross exposure with regard to equity items	14.917	(12.804)	992	(13)	13
Derivative instruments	-	-	-	-	-

	2024 Exposure in foreign currency (CNY)			2024 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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (RUB)			2025 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)
Exposure with regard to equity items					
Trade receivables	-	-	-	-	-
Financial receivables	50,387	-	50,387	(27)	27
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	50,387	-	50,387	(27)	27
Derivative instruments	-	-	-	-	- 5

	2024 Exposure in foreign currency (RUB)			2024 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)
Exposure with regard to equity items					
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	-	-	-	-	-

	2025 Exposure in foreign currency (NZD)			2025 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)
Exposure with regard to equity items					
Trade receivables	75	-	75	(2)	2
Financial receivables	6,265	-	6,265	(154)	154
Trade payables	-	-	-	-	-
Total gross exposure with regard to equity items	6,340	-	6,340	(156)	156
Derivative instruments	-	-	-	-	-

	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)
Exposure with regard to equity items					
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	-	-	-	-	-

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	
	2025	2024
NON-CURRENT ASSETS:		
Receivables and other financial assets	39,328	25,094
Derivative financial instruments	21	72
CURRENT ASSETS:		
Trade receivables	53,268	46,792
Other available-for-sale securities	202	-
Derivative financial instruments	-	13
Receivables and other financial assets	46,409	65,408
Cash and cash equivalents	15,707	12,805

(Euro in thousands)	31 December	
	2025	2024
NON-CURRENT LIABILITIES:		
Medium/long-term loans	58,943	48,291
Non-current bond issue	5,855	7,576
Non-current financial liabilities and rights of use	2,805	5,755
Derivative financial instruments	83	176
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	64,355	74,069
Current bond issue	1,902	-
Current financial liabilities and rights of use	3,964	3,659
Derivative financial instruments	-	60
Trade payables	63,610	52,851
Advances from customers	6,503	1,176

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	5,569	-	-	-
Financial receivables from related parties	33,754	5	-	-
Derivative financial instruments	-	-	-	21
Total non-current	39,323	5	-	21
Trade receivables	15,428	-	-	-
Trade receivables from related parties	37,840	-	-	-
Other available-for-sale securities	202	-	-	-
Financial receivables from third parties	4,664	-	-	-
Financial receivables from related parties	41,745	-	-	-

Derivative financial instruments	-	-	-	-
Cash and cash equivalents	-	-	15,707	-
Total current	99,879	-	15,707	-

Total	139,202	5	15,707	21
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Financial liabilities:

Medium/long-term loans	58,943	-	-	-
Medium/long-term loans due to related parties	-	-	-	-
Non-current bond issue	5,855	-	-	-
Non-current financial liabilities from rights of use	2,550	-	-	-
Non-current financial liabilities from rights of use to related parties	255	-	-	-
Derivative financial instruments	-	-	-	83
Total non-current	67,604	-	-	83

Interest-bearing financial payables (current portion)	57,524	-	-	-
Interest-bearing financial payables (current portion) due to related parties	6,831	-	-	-
Current financial liabilities from rights of use	978	-	-	-
Current financial liabilities from rights of use to related parties	2,986	-	-	-
Current bond issue	1,902	-	-	-
Derivative financial instruments	-	-	-	-
Trade payables	50,863	-	-	-
Trade payables due to related parties	12,747	-	-	-
Advances from customers	6,503	-	-	-
Total current	140,333	-	-	-

Total	207,938	-	-	83
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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:

	Book value as at 31 December 2025	Level 1	Level 2	Level 3
<i>(Euro in thousands)</i>				
Financial assets:				
Derivative financial instruments	21	-	21	-
Total non-current	21	-	21	-
Other available-for-sale securities	202			202
Derivative financial instruments	-	-	-	-
Total current	202	-	-	202
Total	222	-	21	202
Financial liabilities:				
Derivative financial instruments	83	-	83	-

Total non-current	83	-	83	-
Derivative financial instruments	-	-	-	-
Total current	-	-	-	-
Total	83	-	83	-

COMMENTS ON THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Non-current assets

4 Intangible assets

The breakdown of *Intangible assets* as at 31 December 2025 and as at 31 December 2024 is indicated in the table below:

	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
<i>(Euro in thousands)</i>						
Start-up and expansion costs	12	(7)	5	12	(5)	7
Development costs	36,697	(29,946)	6,751	35,580	(27,905)	7,675
Rights and trademarks	6,559	(5,691)	868	6,431	(4,747)	1,684
Other intangible assets	1,342	(496)	846	1,317	(200)	1,117
Assets in progress	6,502	-	6,502	2,591	-	2,591
Total intangible assets	51,112	(36,140)	14,972	45,931	(32,857)	13,074

The following table shows the changes in intangible assets for the year ended as at 31 December 2025:

	1 January 2025	Increases	Decreases	Reclassifications	Amortisation	31 December 2025
<i>(Euro in thousands)</i>						
Start-up and expansion costs	7	-	-	-	(2)	5
Development costs	7,675	611	-	506	(2,041)	6,751
Rights and trademarks	1,684	129	-	-	(945)	868
Other intangible assets	1,117	27	-	-	(298)	846
Assets in progress	2,591	4,417	-	(506)	-	6,502
Total intangible assets	13,074	5,184	-	-	(3,286)	14,972

As at 31 December 2025, intangible assets net of amortisation totalled Euro 14,972 thousand, up Euro 1,898 thousand on the previous year.

Increases for the period totalled Euro 5.184 thousand and consist in:

- assets in progress of Euro 4.417 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 611 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 2026-2029 Business Plan, approved by the Board of Directors on 11 March 2026. 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.

5 Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2025 and as at 31 December 2024 is indicated in the table below:

(Euro in thousands)	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	2,463	-	2,463	2,463	-	2,463
Buildings	3,522	(1,222)	2,300	3,522	(1,116)	2,406
Plant and machinery	12,025	(10,071)	1,954	11,998	(9,751)	2,247
Equipment	4,662	(4,197)	465	4,489	(4,048)	441
Other assets	3,091	(2,317)	774	2,955	(2,135)	820
Assets in progress	857	-	857	865	-	865
Total property, plant and equipment	26,620	(17,807)	8,813	26,292	(17,050)	9,242

The following table shows the changes in property, plant and equipment for the year ended 31 December 2025:

(Euro in thousands)	1 January 2025	Increases	Decreases	Reclassifications	Depreciation	31 December 2025
Land	2,463	-	-	-	-	2,463
Buildings	2,406	-	-	-	(106)	2,300
Plant and machinery	2,247	64	-	-	(357)	1,954
Equipment	441	122	-	70	(168)	465
Other assets	820	138	-	-	(184)	774
Assets in progress	865	98	(36)	(70)	-	857
Total property, plant and equipment	9,242	422	(36)	-	(815)	8,813

As at 31 December 2025, property, plant and equipment totalled Euro 8,813 thousand, down compared to the previous year by Euro 429 thousand.

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.

6 Rights of use

The breakdown in *Rights of use* as at 31 December 2024 and 2025:

(Euro in thousands)	31 December					
	2025			2024		
	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Industrial Buildings - Right of use	16,698	(13,709)	2,989	17,319	(11,612)	5,707
Plant and machinery - Rights of use	3,453	(724)	2,729	2,977	(407)	2,570
Equipment - Rights of use	1,310	(696)	614	1,310	(375)	935
Other assets - Rights of use	2,478	(1,596)	882	2,466	(2,052)	414
Total rights of use	23,939	(16,725)	7,214	24,072	(14,446)	9,626

The following table shows the changes in rights of use for the year ended 31 December 2025:

(Euro in thousands)	1 January 2025	Increases	Decreases	Reclassifications	Depreciation	31 December 2025
Industrial Buildings - Right of use	5,707	-	(3)	-	(2,715)	2,989
Plant and machinery - Rights of use	2,570	475	-	-	(316)	2,729
Equipment - Rights of use	935	-	-	-	(321)	614

Other assets - Rights of use	414	722	(8)	-	(246)	882
Total rights of use	9,626	1,197	(11)	-	(3,598)	7,214

As at 31 December 2025, rights of use totalled Euro 7,214 thousand, down compared to the previous year by Euro 2,412 thousand.

The increases for the year amounted to Euro 1,197 thousand and refer for Euro 475 thousand to the renewal of some plants of the Grassobbio factory and for Euro 596 thousand to new IT infrastructures.

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.

7 Equity investments in subsidiaries, associates and joint ventures

The breakdown of *Equity investments in subsidiaries, associates and joint ventures* as at 31 December 2025 and 2024 is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
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.	7,776	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	408
Marais Technologies SA	10,814	10,814
Tesmec Australia Ltd.	3,766	3,766
Marais Laying Tech. (Pty) Ltd. Nouvelle Zelande	2,094	2,094
Bertel S.r.l.	4,293	4,293
Tesmec Rail S.r.l.	9,206	9,206
4Service S.r.l.	9,721	9,721
Total equity investments in subsidiaries	84,541	81,541

Equity investments in subsidiaries increased of Euro 3.000 thousand due to the following effects:

- for Euro 3,000 thousand to the increase in the value of the equity investment in Tesmec Automation S.r.l. following the partial conversion of the outstanding loan into capital reserves.

The following table shows the main financial statement items of subsidiaries:

(Euro in thousands)	31 December						
	2025						
	% held	Revenues	Net result	Assets	Liabilities	Shareholders' Equity	Book value
Subsidiaries:							
Tesmec USA, Inc.	100.00%	40,020	1,099	58,365	38,590	19,775	21,261
Tesmec SA	51.00% ⁽¹⁾	4,613	(295)	12,061	8,320	3,741	6,296
East Trenchers S.r.l.	100.00%	754	92	653	308	345	265
Tesmec Automation S.r.l.	100.00%	31,029	1,884	37,827	30,989	6,838	7,776
Tesmec Peninsula WLL	49.00%	12,942	1,697	13,984	9,709	4,275	808
Tesmec Saudi Arabia	65.00% ⁽³⁾	8,971	(82)	18,087	11,052	7,035	7,822
OOO Tesmec RUS	100.00%	305	287	1,512	3,238	(1,726)	11
Tesmec New Technology (Beijing) LTD	100.00%	4,330	105	2,788	3,967	(1,179)	408
Marais Technologies SA	100.00%	-	85	21,849	6,931	14,918	10,814
Tesmec Australia Ltd.	51.00% ⁽²⁾	8,035	(7,779)	7,139	25,153	(18,014)	3,766

Marais Laying Tech. (Pty) Ltd. Nouvelle Zelande	100.00%	2,049	(1,535)	1,652	4,901	(3,249)	2,094
Bertel S.r.l.	100.00%	-	368	1,336	53	1,283	4,293
Tesmec Rail S.r.l.	100.00%	52,648	1,147	81,206	60,595	20,611	9,206
4Service S.r.l.	100.00%	12,418	(435)	41,415	33,531	7,884	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 equity investment 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 equity investment 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 11 March 2026.

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 (Tesmec France, holding company of the Group) or belonging to the same CGU (as in the case of Tesmec USA and 4 Service USA, both based in Alvarado in the United States and active in the trencher segment, one in sales and the other in rental). 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 2026 Budget and of the 2027-2029 Business Plan approved by the Board of Directors on 11 March 2026. 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, customs policies, infrastructure investments in the countries where the group operates, as well as 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	
	2025	2024
Tesmec USA, Inc. and 4 Service USA (United States)	12.15%	14.03%
Tesmec SA (Sud Africa)	16.49%	19.17%
Tesmec Automation S.r.l.	11.82%	11.43%
Tesmec New Technology (Beijing) LTD (Cina)	11.52%	9.97%
Marais Technologies SA (France)	11.64%	12.16%
Tesmec Australia (Australia)	12.18%	12.01%
Marais Laying NZ (Nuova Zelanda)	12.16%	12.01%
Tesmec Rail S.r.l. (Italia)	12.25%	12.94%
4 Service S.r.l. (Italia)	11.69%	11.36%
East Trenchers S.r.l. (Italia)	11.69%	11.36%
Tesmec Peninsula WLL (Qatar)	11.99%	12.11%
Tesmec Saudi Arabia (Arabia Saudita)	12.43%	12.35%
Tesmec Russia	17.49%	17.41%

The estimate of the reference WACCs compared with the same estimate made as at 31 December 2024 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 1% lower than the one adopted would not result in an impairment. 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.

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 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 2025 and 2024 is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
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:

(Euro in thousands)	31 December 2025						Equity investment value in the Consolidated Financial Statements
	% held	Revenues	Net result	Assets	Liabilities	Shareholders' Equity	
Associates:							
Locavert SA	38.63%	762	(44)	899	208	691	52
Joint Ventures:							
Condux Tesmec Inc.	50.00%	7,982	635	9,279	3,229	6,050	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 2025, the outcome of the impairment test carried out in relation to the joint venture Condux Tesmec Inc. did not reveal any impairment losses.

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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Guarantee deposits	5	4
Financial receivables from third-party customers	5,569	5,791
Financial receivables from related parties	33,754	19,299
Total financial receivables and other non-current financial assets	39,328	25,094

As at 31 December 2025, financial receivables and other non-current financial assets totalled Euro 39,328 thousand, up Euro 14,234 thousand on the previous year.

The increase mainly refers to the reclassification in the medium/long-term, following changes in the agreement of the outstanding loan granted to the subsidiary Tesmec Australia Ltd., for a total of Euro 16.690 thousand.

Financial receivables from third parties are shown net of a write-down of Euro 1.138 thousand due to the partial write-down of certain receivables from certain counterparties in the trencher segment operating in countries in the African area, whose positions had been the subject matter in previous years of the definition of financially onerous payment plans that were not fully or partially fulfilled. The residual balance of the financial positions related to these cases, net of recognised write-downs, amounted to Euro 1.030 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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Advances to Suppliers	77	30
Raw materials and consumables	26,063	23,624
Work in progress	2,606	1,477
Finished products and goods for resale	4,360	3,584
Total inventories	33,106	28,715

The measurement bases of inventories remained unchanged compared to the prior financial year. The item as a whole increased by 15,3% compared to the prior financial year.

The changes in the provisions for inventory obsolescence for the years ended 31 December 2025 and 2024 are indicated below:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Value as at 1 January	3,600	3,673
Provisions	933	980
Uses	(1,919)	(1,053)
Total provisions for inventory obsolescence	2,614	3,600

The value of the provisions for inventory obsolescence decreased by Euro 986 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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Trade receivables from third-party customers	15,428	18,104
Trade receivables from related parties	37,840	28,688
Total trade receivables	53,268	46,792

For terms and conditions relating to receivables from related parties, refer to note 35.

Trade receivables as at 31 December 2025 amounted to Euro 53,268 thousand and increased by Euro 6,476 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 2025 and 2024 are indicated in the table below:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Value as at 1 January	2,216	2,150
Provisions	21	133
Uses	-	(67)
Total provisions for doubtful accounts	2,237	2,216

The value of the provisions for doubtful accounts increased by a total of Euro 21 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 2025 and 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Financial receivables from related parties	41,745	58,017
Financial receivables from third parties	4,534	7,236
Other current financial assets	130	155
Total financial receivables and other current financial assets	46,409	65,408

The decrease in *financial receivables and current financial assets* (Euro 18,999 thousand) is mainly due to the decrease in receivables from third parties of Euro 2,702 thousand and to the decrease in credit positions of Euro 16,272 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:

- 4Service S.r.l. of Euro 5,288 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Tesmec Automation S.r.l. of Euro 5,931 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Tesmec Rail S.r.l. of Euro 4,306 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 2025 and as at 31 December 2024:

(Euro in thousands)	31 December	
	2025	2024
Prepaid expenses	1,080	1,347
VAT credit	1,948	1,376
Other tax receivables	58	578
Other receivables	475	391

Receivables from subsidiaries	3,326	1,186
Advance to suppliers for services	494	363
Total other current assets	7,381	5,241

The item *Other current assets* is considered receivable and therefore was not subject to value adjustment; the item increased by Euro 2,140 thousand compared to the previous financial year. This decrease is mainly related to the item "Receivables from subsidiaries" of Euro 2,140 thousand.

13 Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Bank and post office deposits	15,702	12,797
Cash on hand	5	8
Total cash and cash equivalents	15,707	12,805

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 2025 amounted to Euro 15,707 thousand and increased of Euro 2,902 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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Revaluation reserve	86	86
Extraordinary reserve	36,291	36,291
Reserve for first-time adoption of IFRS 9	(391)	(391)
Severance indemnity valuation reserve	(209)	(236)
Network reserve	754	754
Other reserves	7,183	3,995
Total other reserves	43,714	40,499

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 30 April 2025, with the approval of the 2024 financial statements, the Shareholders' Meeting decided to carry forward the profit for the year of the Parent Company of Euro 3,356 thousand and allocate it to the legal reserve for 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 (*)	38,759	-	-
Reserve of Treasury Shares	(2,340)				
Earnings reserves:					
Legal reserve	2,684	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	(209)				
Network reserve	754				
Other reserves	7,183	B			
Profit/(loss) for the period	(207)				
Total	98,769		75,136	-	-

(*) 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 2025 and as at 31 December 2024, with separate disclosure of total loans and current portion:

	31 December			
	2025	of which current portion	2024	of which current portion
<i>(Euro in thousands)</i>				
Domestic fixed-rate bank loans	4,971	4,971	16,055	8,883
Domestic floating-rate bank loans	61,930	4,830	52,695	18,193
Shareholder loan	1,635	1,635	2,099	200
Total medium/long-term loans	68,536	11,436	70,849	27,276
less current portion	(11,436)		(27,276)	
Non-current portion of medium/long-term loans	57,100		43,573	
Medium/long-term loan due to Simest	4,718	2,875	4,718	-
less current portion	(2,875)		-	
Medium/long-term loan due to Simest	1,843		4,718	
Total medium/long-term loans	58,943	14,311	48,291	27,276

Some loan contracts, the residual value of which at the end of the reporting period amounted to Euro 74,7 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.

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 2026 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 2025, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Residual value as at 31 December 2025	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Domestic fixed-rate bank loans	4,971	4,971	-	-
Domestic floating-rate bank loans	61,930	4,830	46,209	10,891
Shareholder loan	1,635	1,635	-	-
Total	68,536	11,436	46,209	10,891

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 2025, the residual amount was Euro 1,635 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			
	2025	of which with related parties and group	2024	of which with related parties and group
<i>(Euro in thousands)</i>				
Cash and cash equivalents	(15,909)		(12,805)	
Current financial assets	(46,409)	(41,745)	(65,408)	(58,017)
Current financial liabilities	66,257	6,831	74,069	4,986

Current financial liabilities from rights of use	3,964	2,986	3,659	2,594
Current portion of derivative financial instruments	-		47	
Current financial indebtedness	7,903	(31,928)	(438)	(50,437)
Non-current financial liabilities	64,798	-	55,866	1,899
Non-current financial liabilities from rights of use	2,805	255	5,755	3,241
Non-current portion of derivative financial instruments	82		176	
Non-current financial indebtedness	67,685	255	61,797	5,140
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	75,588	(31,673)	61,359	(45,297)

The net financial indebtedness prior to the application of IFRS 16, as at 31 December 2025, is equal to Euro 68,819 thousand with an increase of Euro 16,874 thousand compared to the end of 2024.

Net indebtedness stood at Euro 75,590 thousand as at 31 December 2025, an increase from Euro 61,359 thousand as at 31 December 2024.

We also report the following changes:

- increase in current financial indebtedness of Euro 8.341 thousand due to the:
 - decrease in cash and cash equivalents and current financial assets of Euro 15.895 thousand;
 - decrease in current financial liabilities of Euro 7,812 thousand mainly due to the portions reimbursed in 2025;
- increase in medium/long-term financial indebtedness of Euro 5,888 thousand following the syndicated loan transaction totalling Euro 53,384 thousand maturing on 31 December 2031, part of which was used for the partial early repayment of the medium/long-term indebtedness.

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 10.510 thousand.

16 Non-current bond issue

The item relating to the non-current bond loan amounted to Euro 5,855 thousand and is related to the medium/long-term portion of the non-convertible, unlisted and unsecured bond loan, called "Tescmec 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 2025, the residual debt amounted to Euro 7,757 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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Non-current financial liabilities from rights of use	2,805	5,755
Current financial liabilities from rights of use	3,964	3,659
Total financial liabilities from rights of use	6,769	9,414

All in all, financial liabilities from rights of use decreased by Euro 2,644 thousand following the repayments made in 2025.

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 2025 and 2024 are shown in the table below:

Counterparties	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal	Fair Value (Euro/000) as at 31 December	
							2025	2024
Banco BPM	CAP	Quarterly floating rate 1.5%	3-month Euribor	01/02/2019	30/06/2025	142,857	-	2
Deutsche Bank	IRS	Fixed interest rate 1.80%	3-month Euribor	01/07/2020	30/06/2025	526,316	-	5
Intesa	IRS	Fixed interest rate 2.00%	3-month Euribor	18/05/2020	31/03/2025	833,333	-	6
INTESA	IRS	Fixed interest rate -0.18%	3-month Euribor	20/07/2021	30/06/2027	2,272,727	-	72
Credite Agricole	CAP	Fixed rate USD/EUR 1.1090	-	04/10/2024	15/01/2025	901,713	-	(60)
BCC Leasing	CAP	Fixed interest rate 2.94%	3-month Euribor	30/09/2024	31/03/2029	2,600,000	(35)	(62)
BCC Leasing	CAP	Fixed interest rate 3.05%	3-month Euribor	30/09/2024	30/06/2027	5,454,546	(48)	(114)
Credite Agricole	CAP	Variable rate	3-month Euribor	18/07/2023	30/09/2026	2,054,352	-	-
BCC Leasing	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	15,116,279	12	-
Deutsche Bank	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	5,813,953	5	-
Banco BPM	IRS	Fixed interest rate 2,316%	3-month Euribor	16/10/2025	31/12/2031	4,069,767	4	-
Assets for derivative instruments within the financial period							-	13
Assets for derivative instruments beyond the financial year							21	72
Liabilities for derivative instruments within the financial year							-	(60)
Liabilities for derivative instruments beyond the financial year							(83)	(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 2025 and 31 December 2024 of employee benefits:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Present value of the liability at the beginning of the period	896	1,197
Financial expense	28	33
Benefits paid	(196)	(292)
Financial loss (profit)	(4)	(42)
Present value of the liability at the end of the period	724	896

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

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Annual discount rate	4.00%	3.40%
Inflation rate	2.00%	2.00%
Total annual salary increase rate	3.00%	3.00%

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	29	24
Reported value for liabilities with respect to defined benefit plans	698	751

Technical and demographic bases

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Mortality	2022 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Annual frequencies%	5.00%	5.00%

Frequency of turnover and advances on severance indemnity

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Advance frequency %	1.27%	1.02%
Turnover frequency %	0.30%	1.50%

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 2025 and 2024 financial years:

(Euro in thousands)	31 December	
	2025	2024
Advances from banks against invoices and bills receivables	35,117	35,904
Financial payables due from affiliated companies	6,831	4,986
Payables due to factoring companies	9,733	6,101
Financial payables due to SIMEST	2,875	-
Current portion of medium/long-term loans	9,799	27,078
Total interest-bearing financial payables (current portion)	64,355	74,069

The current portion of medium- and long-term loans decrease mainly as a result of the syndicated loan transaction totalling Euro 53,384 thousand maturing on 31 December 2031, which extended the maturity of the existing bank debt.

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 relating to the current bond loan increased by Euro 1,902 thousand following the reclassification of the short-term portion of the non-convertible, unlisted and unsecured bond loan, called "Tescmec 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.

22 Trade payables

The breakdown of *Trade payables* as at 31 December 2025 and as at 31 December 2024, respectively, is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
Trade payables due to third-parties	50,863	39,683
Trade payables due to related parties	12,747	13,168
Total trade payables	63,610	52,851

Trade payables as at 31 December 2024 increased compared to the previous financial year by Euro 10,759 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 2025 and as at 31 December 2024, respectively, is indicated in the table below:

(Euro in thousands)	31 December	
	2025	2024
Current IRES tax liabilities	-	1,569
Current IRAP tax liabilities	261	256
Total income taxes payable	261	1,825

The item *IREs and IRAP taxes payable* as at 31 December 2025 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 Tescmec Rail S.r.l., Tescmec 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 Tescmec S.p.A., the investees Tescmec Rail S.r.l., Tescmec 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 2025 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 430 thousand from the following subsidiaries for the IRES tax pertaining to the latter:

Tesmec Rail S.r.l. – 2025 IRES	Euro	377 thousand
4 Service S.r.l. - 2025 IRES	Euro	31 thousand
East Trenchers S.r.l. – 2025 IRES	Euro	22 thousand
Total	Euro	430 thousand

- "Other current liabilities" of the statement of financial position, which includes the payable of Euro 118 thousand to the subsidiaries indicated below in connection with the recognition of the tax benefits deriving from the use of the tax losses transferred to the tax consolidation:

Tesmec Automation S.r.l. – transfer of 2025 tax losses	Euro	36 thousand
4 Service S.r.l. – transfer of 2025 tax loss	Euro	82 thousand
Total	Euro	118 thousand

The tax result for the 2025 financial year referring to the tax consolidation consists, in summary, of the following:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	
Tax income (loss) of the consolidating company Tesmec S.p.A.	(3,878)	
Non-deductible interest expenses of the consolidating company Tesmec S.p.A.	(869)	
Tax income (loss) of the consolidated company Tesmec Rail S.r.l.	1,571	
Tax income (loss) of the consolidated company Tesmec Automation S.r.l.	(448)	
Tax income (loss) of the consolidated company 4 Service S.r.l.	(1,018)	
Tax income (loss) of the consolidated company East Trenchers S.r.l.	127	
Tax income (loss) of the consolidated company Bertel S.r.l.	92	
Total consolidated tax income (loss)	(4,423)	

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 2025 and 2024 are indicated below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Value as at 1 January	414	434
Provisions	100	50
Uses	-	(70)
Value as at 31 December	514	414

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 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Due to social security	1,051	1,008
Due to trade funds	288	141
Due to employees and collaborators	1,987	2,221
Due to others	37	34
VAT debit	-	-
Other income taxes payable	974	1,623
Payables due to related parties	2,027	5
Accrued expenses and liabilities	328	501
Total other current liabilities	6,692	5,533

Other current liabilities increased compared to the prior financial year of Euro 1,159 thousand and mainly refer to the increase in payable to related parties of Euro 2,022 thousand.

26 Taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2025 and 2024:

(Euro in thousands)	31 December	
	2025	2024
Deferred tax assets	2,528	1,919
Deferred tax liabilities	220	214

The breakdown of net deferred taxes as at 31 December 2025 and 2024 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)	2025	2024	2025	2024	2025	2024
Deferred tax assets						
Right of use translational leases	106	60	-	-	46	47
Obsolescence fund	729	1,004	-	-	(275)	(20)
Unrealised exchange-rate losses	-	-	-	-	-	(4,911)
Tax effect on UCC gain reversals	-	9	-	-	(9)	(11)
Provision for bad debts	297	311	-	-	(15)	(6)
Write-down of financial receivables	386	375	-	-	11	65
Product guarantee fund	123	99	-	-	24	(5)
Other temporary differences	59	61	-	-	(1)	8
Tax losses carried forward	828	-	-	-	828	-
Total deferred tax assets	2,528	1,919	-	-	609	(4,833)
Deferred tax liabilities						
Unrealised exchange rate gains	-	-	-	-	-	5,032
Profits allocated to network reserve	(199)	(199)	-	-	-	-
Other temporary differences	(21)	(15)	(9)	(10)	3	3
Total deferred tax liabilities	(220)	(214)	(9)	(10)	3	5,035
Net effect on Shareholders' Equity						
Net balance deferred wealth taxes	2,308	1,705				
<i>Represented in the income statement as follows:</i>						

Deferred tax assets	609	(4,833)
Deferred tax liabilities	3	5,035
Deferred tax liabilities, net	612	202

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 2025 and 2024 are summarised below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Pre-tax profit/(loss)	(872)	3,803
Current taxation	53	(649)
Deferred tax liabilities/(assets)	612	202
Total taxes	665	(447)

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:

<i>(Euro in thousands)</i>		Financial year ended 31 December		
		2025		
		IRES	IRAP	Total
Profit before tax	A	(872)	(872)	
Difference in taxable income between IRES and IRAP	B	-	9,723	
	C=A+B	(872)	8,851	
Nominal rate (%)	D	24.0%	3.9%	
Theoretical taxes	E=C*D	(209)	345	136
Tax effect on permanent differences	F	(746)	(44)	(790)
Tax effect on temporary differences	G	559	(76)	483
Tax effect on the re-absorption of temporary differences	H	(511)	36	(475)
Tax effect of energy saving deductions	I	(1)	-	(1)
Current taxation posted to the income statement	L=E+F+G+H+I	-	261	261
Deferred tax liabilities	M	(2)	-	(2)
Deferred tax assets	N	(648)	39	(609)
Taxes related to prior financial years	O	(4)	1	(3)
Income from tax consolidation	P	(312)	-	(312)
Aggregate tax posted to the income statement	Q=I+L+M+N+O+P	(966)	301	(665)

Comments to the main items in the income statement

27 Revenues from sales and services

In the 2025 and 2024 financial years, revenues from sales and services amounted to Euro 133,673 thousand and Euro 124,329 thousand respectively, an increase of 7.5%. The breakdown is set below:

<i>(Euro in thousands)</i>	Financial year ended 31 December	
	2025	2024
Sales of products	130,335	121,152
Services rendered	3,338	3,177
Total revenues from sales and services	133,673	124,329

Revenues from *sales of goods* refer to transfer of machines and equipment for Energy, Trenchers and Rail.

In the 2025 financial year, revenues of Euro 5.3 million (Euro 6.9 million as at 31 December 2024) were recognised relating to the machinery that had been completed (mainly trenchers) but had not yet been shipped to the customer (bill and hold) as at 31 December 2025 for reasons beyond the Company's control. These revenues were recognised in the income statement since the requirements of IFRS 15 were met, including the presence of a substantial reason (such as the customer's request supported by objective and substantial circumstances), as well as the fact that the product was separately identified and is 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 involved a subjective assessment by Management regarding the elements to be considered and their scope in relation to the transaction in question.

28 Cost of raw materials and consumables

For the financial years as at 31 December 2025 and 2024, cost of raw materials and consumables amounted to Euro 73,384 thousand and Euro 74,769 thousand, respectively. The breakdown of the item is as follows:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Cost for the purchase of raw materials and consumables	76,692	68,285
Change in inventories	(3,308)	6,484
Total cost of raw materials and consumables	73,384	74,769

Cost of raw materials and consumables decreased inversely 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 2025 and in 2024 to Euro 25,296 thousand and Euro 22,154 thousand, respectively.

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Transport, customs and incidental expenses	4,278	3,549
Outsourced work service	6,308	4,648
Services for legal, tax, technical and other consultancy	5,534	5,349
External production services	280	475
Banking services	518	766
Information systems services	552	814
Insurance	765	878
Energy, water, gas, telephone expenses and postage	947	953
Board and lodging expenses and travelling allowance	1,237	1,092
Advertising and other selling expenses	616	434
Directors' and Auditors' fees	992	1,017
Maintenance services	394	329
Commissions and additional expenses	2,430	1,336
Other general expenses	445	514
Total costs for services	25,296	22,154

This item increased by Euro 3,142 thousand (14.2%); this increase mainly concerns the item *Outsourced work service* of Euro 1,660 thousand and the item *Commissions and additional expenses* of Euro 1,094 thousand.

30 Payroll costs

During the financial years ended 31 December 2025 and 2024, payroll costs amounted to Euro 25,666 thousand and Euro 25,031 thousand, respectively, with an increase of 2.5% due to the adjustment of the workforce and contractual pay rises.

	Financial year ended 31 December	
(Euro in thousands)	2025	2024
Wages and salaries	19,480	18,994
Social security charges	4,760	4,600
Employee severance indemnity	1,193	1,218
Other personnel costs	234	219
Total payroll costs	25,667	25,031

31 Other operating (costs)/revenues, net

During the financial years ended 31 December 2025 and 2024, *other operating (costs)/revenues, net* amounted to Euro 812 thousand and Euro 5,094 thousand, respectively. The breakdown of the item is as follows:

	Financial year ended 31 December	
(Euro in thousands)	2025	2024
Provisions for risks and other net provisions	21	133
Rents	103	110
Hiring	2,509	2,089
Sundry taxes	317	197
Other revenues	(7,227)	(9,207)
Income for Research and Development tax credits	(80)	(136)
Contingent assets/liabilities/losses	(542)	(413)
Other expenses	4,087	2,133
Total other operating (costs)/revenues, net	(812)	(5,094)

The item *other operating (costs)/revenues, net* decreased by Euro 4,282 thousand compared to the previous year, mainly due to the increase in the item "Other revenues" of Euro 1,980 thousand. This item includes revenues for chargebacks to subsidiaries for centrally incurred overhead costs.

The item Provisions for risks and other provisions of Euro 21 thousand is related to the allowance for doubtful receivables.

32 Amortisation and depreciation

During the financial years ended 31 December 2025 and 2024, amortisation and depreciation amounted to Euro 7,699 thousand and Euro 7,394 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)	2025	2024
Amortisation of intangible assets	3,286	2,850
Depreciation of property, plant and equipment	815	726
Depreciation of right of use	3,598	3,818
Total amortisation and depreciation	7,699	7,394

33 Development costs capitalised

Development costs capitalised for the financial years ended 31 December 2025 and 31 December 2024 amounted to Euro 5,011 thousand and Euro 4,190 thousand, respectively.

The percentage incidence on revenues of development costs capitalised increased from 3.4% for the 2024 financial year to 3.7% for the 2025 financial year.

34 Financial expenses

During the financial years ended 31 December 2025 and 2024, financial expenses amounted to Euro 17,445 thousand and Euro 16,227 thousand, respectively. The breakdown of the item is as follows:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Bank interest expenses	190	271
Interests payable for factoring and billing discounts	1,103	986
Interests payable on interest-bearing medium/long-term loans and borrowings	4,951	5,130
Interests payable on advance loans on exports	1,838	1,929
Other sundry financial expenses	1,701	1,702
Financial expenses on rights of use	490	668
Realised foreign exchange losses	798	278
Unrealised foreign exchange losses	6,327	4,506
Fair value adjustment of derivative instruments	-	486
Provision for risks on financial receivables	47	271
Total financial expenses	17,445	16,227

The item *financial expenses* increased by Euro 1,218 thousand compared to the previous financial year, mainly due to the increase in the item unrealised foreign exchange losses of Euro 1,821 thousand.

35 Financial income

During the financial years ended 31 December 2025 and 2024, financial income amounted to Euro 9,123 thousand and Euro 15,765 thousand, respectively. The breakdown of the item is as follows:

(Euro in thousands)	Financial year ended 31 December	
	2025	2024
Interests from banks	11	32
Realised foreign exchange gains	457	366
Unrealised foreign exchange gains	2,876	5,213
Fair value adjustment of derivative instruments	114	-
Sundry income	5,665	10,154
Total financial income	9,123	15,765

Financial income decreased by Euro 6,642 thousand mainly due to the increase in Exchange rate gains (realised and unrealised) of Euro 2,246 thousand due to a less favourable USD/EUR exchange rate trend.

The item "*sundry income*" includes the dividends approved during the 2025 financial year by the subsidiaries:

- Tesmec Rail S.r.l. of Euro 1.000 thousand;
- 4 Service S.r.l. of Euro 100 thousand;
- Condux Tesmec Inc. of Euro 213 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										
	2025									
	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	Current financial liabilities from rights of use	Trade payables	Other current liabilities
<i>(Euro in thousands)</i>										
Subsidiaries:										
Tesmec USA Inc.	17,064	5,071	-	-	-	-	4,508	-	1,764	-
Tesmec France SAS	-	763	-	-	-	-	688	-	775	-
East Trencher S.r.l.	-	11	112	31	-	-	-	-	115	-
Tesmec Peninsula	-	1,755	761	-	-	-	-	-	42	-
Tesmec SA	-	1,243	4,664	-	-	-	-	-	-	-
Tesmec RUS	-	1,409	543	-	-	-	-	-	-	-
Bertel S.r.l.	-	1	3	22	-	-	-	-	-	-
Tesmec Automation S.r.l.	-	424	5,931	2,896	-	-	-	-	-	61
Tesmec New Technology (Beijing)	-	71	1,777	-	-	-	-	-	1,857	-
Tesmec Rail S.r.l.	-	13,641	4,306	377	-	-	-	-	27	-
4Service S.r.l.	-	403	5,288	-	-	-	-	-	1,348	1,966
Tesmec Saudi Arabia	-	6,041	-	-	-	-	-	-	1,505	-
4Service USA LLC	-	-	-	-	-	-	-	-	-	-
Marais Technologies SAS	-	42	2,911	-	-	-	-	-	-	-
Tesmec Australia Ltd.	16,690	628	4,281	-	-	-	-	-	-	-
Marais Laying Tech. Ltd. NZ	-	73	3,074	-	-	-	-	-	-	-
MIR SA	-	-	-	-	-	-	-	-	-	-
Marais Cote d'Ivoire	-	278	288	-	-	-	-	-	-	-
Tesmec Guinee	-	2,537	4,442	-	-	-	-	-	-	-
Tesmec Maroc SARL	-	459	-	-	-	-	-	-	-	-
Tesmec Energy EURL	-	-	-	-	-	-	-	-	44	-
Subtotal	33,754	34,850	38,381	3,326	-	-	5,196	-	7,477	2,027
Associates:										
Locavert S.A.	-	16	-	-	-	-	-	-	-	-
Subtotal	-	16	-	-	-	-	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	-	1,830	-	-	-	-	-	-	65	-
Group Marais SAS	-	781	3,287	-	-	-	-	-	1,189	-
Subtotal	-	2,611	3,287	-	-	-	-	-	1,254	-
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-	-	-	-	4	-
Dream Immobiliare S.r.l.	-	8	77	-	-	255	-	2,986	3,763	-
TTC S.r.l.	-	-	-	-	-	-	-	-	134	-
RX S.r.l.	-	11	-	-	-	-	213	-	25	-
Fi.ind.	-	16	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	-	326	-	-	-	-	1,422	-	90	-
ICS Tech. S.r.l.	-	-	-	-	-	-	-	-	-	-
TCB Sport S.r.l.	-	2	-	-	-	-	-	-	-	-
Subtotal	-	363	77	-	-	255	1,635	2,986	4,016	-
Total	33,754	37,840	41,745	3,326	-	255	6,831	2,986	12,747	2,027

	31 December									
	2024									
	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	Current financial liabilities from rights of use	Trade payables	Other current liabilities
<i>(Euro in thousands)</i>										
Subsidiaries:										
Tesmec USA Inc.	19,299	3,298	-	(1)	-	-	4,786	-	3,204	-
Tesmec France SAS										
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	-	-	-	-	-	-	-
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	26,721	56,860	1,186	-	-	4,786	-	10,611	5
Associates:										
Locavert S.A.	-	35	-	-	-	-	-	-	-	-
Subtotal	-	35	-	-	-	-	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	-	1,222	310	-	-	-	-	-	86	-
Group Marais SAS	-	137	455	-	-	-	-	-	164	-
Subtotal	-	1,359	765	-	-	-	-	-	250	-
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-	-	-	-	39	-
Dream Immobiliare S.r.l.	-	-	77	-	-	3,241	-	2,594	2,056	-
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.	-	-	-	-	-	-	-	-	-	-
TCB Sport S.r.l.	-	-	-	-	-	-	-	-	-	-
Subtotal	-	573	392	-	1,899	3,241	200	2,594	2,307	-
Total	19,299	28,688	58,017	1,186	1,899	3,241	4,986	2,594	13,168	5

	Financial year ended 31 December					Financial year ended 31 December				
	2025					2024				
	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
<i>(Euro in thousands)</i>										
Subsidiaries:										
Tesmec USA, Inc.	9,719	(1,629)	(1,746)	330	363	6,184	(3,286)	(502)	(124)	792
Tesmec France SAS	1,274	(2,475)	(54)	85	(9)					
East Trencher S.r.l.	-	-	(194)	8	14	1	-	(136)	6	69
Tesmec Peninsula	3,117	(36)	(68)	68	115	3,032	(1,754)	(186)	80	263
Tesmec SA	1,764	-	-	29	320	4,154	-	-	25	268
Tesmec RUS	28	-	-	-	41	79	-	-	-	-
Bertel S.r.l.	-	-	-	3	-	-	-	-	3	725
Tesmec Automation S.r.l.	15	-	-	325	582	32	(3)	(16)	318	749
Tesmec New Technology (Beijing)	1	(3,966)	(301)	2	141	150	(431)	(662)	1	122
Tesmec Rail S.r.l.	4,111	(68)	(58)	4,805	1,480	2,544	(110)	(73)	6,316	2,921
4Service S.r.l.	505	(950)		(2,017)	326	1,476	(6,438)	-	(1,482)	820
Tesmec Saudi Arabia	4,639	(1,509)	(131)	121	-	3,866	-	(268)	65	-
4Service USA LLC	-	-	-	-	-	-	-	-	-	-
Marais Technologies SAS	-	-	-	-	83	-	-	-	-	104
Tesmec Australia Ltd.	2,243	-	(8)	112	890	1,192	-	-	681	1,698
Marais Laying Tech. Ltd. NZ	7	-	-	23	110	2	-	-	2	112
MIR SA	-	-	-	-	-	-	-	-	-	-
Marais Cote d'Ivoire	401	-	-	2	14	102	-	-	1	18
Tesmec Guinee	4,793	-	-	32	274	1,380	-	-	3	319
Tesmec Energy EURL	-	-	-	-	-	-	-	(56)	-	-
Subtotal	32,617	(10,633)	(2,560)	3,928	4,744	24,194	(12,022)	(1,899)	5,895	8,980
Associates:										
Locavert S.A.	44	-	-	-	-	84	-	-	-	-
Subtotal	44	-	-	-	-	84	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	5,292	(8)	(92)	326	215	2,665	(5)	(162)	277	235
Group Marais SAS	502	(8)	(8)	(990)	89	1,816	(239)	(245)	189	(19)
Subtotal	5,794	(16)	(100)	(664)	304	4,481	(244)	(407)	466	216
Related parties:										
Ambrosio S.r.l.	-	-	-	(5)	(2)	-	-	-	(4)	(2)
Dream Immobiliare S.r.l.	-	-	-	(43)	(187)	-	-	-	(98)	(258)
RX S.R.L.	-	-	-	2	(4)	-	-	-	2	(4)
TTC S.r.l.	-	-	(92)	6	-	-	-	(114)	6	-
Fi.ind.	-	-	-	3	-	-	-	-	3	-
M.T.S. Officine meccaniche S.p.A.	819	(9)	(2)	14	(86)	1,375	(4)	(2)	13	(113)
ICS Tech. S.r.l.	-	-	-	-	-	-	-	-	1	-
TCB Sport S.r.l.	-	-	-	2	-	-	-	(2)	2	-
Subtotal	819	(9)	(94)	(21)	(279)	1,375	(4)	(118)	(75)	(377)
Total	39,274	(10,658)	(2,754)	3,243	4,769	30,134	(12,270)	(2,424)	6,286	8,819

37 Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2025:

Board of Directors				
Name and Surname	Office	Fees (in Euro)	Bonus and other fees (in Euro)	Total fees (in Euro)
Ambrogio Caccia Dominioni	Chairman	353,333	-	353,333
Gianluca Bolelli	Vice Chairman	110,552	-	110,552
Caterina Caccia Dominioni	Chief Executive Officer	96,667	-	96,667
Carlo Caccia Dominioni	Chief Executive Officer	73,333	-	73,333
Simone Andrea Crolla	Director	33,333	-	33,333
Emanuela Teresa Basso Petrino	Director	62,400	-	62,400
Anna Casiraghi	Director	20,000	-	20,000
Nicola Gavazzi	Director	33,333	-	33,333
Francesca Marino	Director	28,037	-	28,037
Antongiulio Marti	Director	40,000	-	40,000
Guido Luigi Traversa (until 30 April 2025)	Director	13,333	-	13,333
Paola Durante (until 30 April 2025)	Director	16,667	-	16,667
Lucia Caccia Dominioni (until 30 April 2025)	Director	10,000	-	10,000
Nicola Iorio (until 30 April 2025)	Director	10,000	-	10,000

Board of Statutory Auditors				
Name and Surname	Office	Fees (in Euro)	Bonus and other fees (in Euro)	Total fees (in Euro)
Simone Cavalli	Chairman	42,287	-	42,287
Attilio Massimo Franco Marcozzi	Statutory Auditor	28,169	-	28,169
Alice Galimberti (from 26 March 2025)	Statutory Auditor	22,114	-	22,114
Laura Braga (until 26 March 2025)	Statutory Auditor	6,055	-	6,055

Fees paid to executives with strategic responsibilities in the 2025 financial year amounted to Euro 350 thousand (Euro 404 thousand in the 2024 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 2025 and 2024 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	
			2025	2024
Audit of the financial statements and consolidated financial statements	Deloitte & Touche S.p.A.	Tesmec S.p.A.	195	150
Limited half-year auditing	Deloitte & Touche S.p.A.	Tesmec S.p.A.	28	28
Limited auditing of sustainability reporting	Deloitte & Touche S.p.A.	Tesmec S.p.A.	100	118
Total			323	296

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, 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 in full. The Italian Inland Revenue appealed against this decision and the hearing is still to be set.

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 2025 and 2024, they are summarised as follows:

(Euro in thousands)	31 December	
	2025	2024
Sureties	154,944	162,596
Total commitments and risks	154,944	162,596

The amount recorded concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers, especially on long-term orders and mainly for the Rail and Automation segments, which follow specific redemption, closing and opening plans from year to year. The increase is mainly due to the work orders of the newly set up Rail segment.

On the basis of the specific characteristics of the segments in which the Company works, Tesmec did not make any provision for contingent liabilities in the memorandum accounts. Risks and future expenses are reasonably hedged by funds specifically accounted for in the financial statements.

42 Significant events occurred after the reporting year

No significant events occurred after the end of the financial year.

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 Chairman of the Board of Directors and 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 2025 financial year.
2. We also certify that:
 - 2.1 the financial statements as at 31 December 2025:
 - 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, 11 March 2026

Mr. Ambrogio Caccia Dominioni

Chairman of the Board
of Directors

Mr Ruggero Gambini

Manager responsible for preparing
the Company's financial statements

ANNEXES

Annex A

List of investments held as at 31 December 2025 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 2025, 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 2025

Company	31 December 2024		Increases	Decreases	Other changes	31 December 2025	
	%	Value	Cost	Cost	Write-down Revaluation	%	Value
<i>Investments in consolidated subsidiaries</i>							
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	3,000,000	-	-	100.00%	7,775,600
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%	408,062	-	-	-	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	100.00%	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%	9,205,882	-	-	-	100.00%	9,205,882
Total		81,540,998	3,000,000	-	-		84,540,998
<i>Investments in associates consolidated under the equity method</i>							
Locavert S.A.	38.63%	52,000	-	-	-	38.63%	52,000
Condux Tesmec Inc.	50.00%	955,763	-	-	-	50.00%	955,763
Loire Sarthe Immobilier S.c.i.	1.00%	-	10	-	-	1.00%	10
Total		1,007,763	10	-	-		1,007,773

⁽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 equity investment 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 equity investment 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%.

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 23 April 2026 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 2025 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 2025;**
 - 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 2026 illustrated in the first section of the report;**
 - 2.2 **Consultation on the second section of the report regarding the fees paid in 2025 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 30, 2025; related and consequent resolutions.**

Information in the share capital at the date of the call notice

The share capital of Tesmec totals Euro 15,702,162.00 represented by 606,460,200 ordinary shares with no nominal value. The shares are registered, indivisible, freely transferable and, pursuant to Article 9 of the Articles of Association, each share gives the right to one vote in the ordinary and extraordinary Shareholders' Meetings of the Company, 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 Tuesday April 14, 2026. 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 Monday April 20, 2026). 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 Tuesday **21 April 2026**) 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 22, 2026.

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 Tuesday April 14, 2026).

The questions must be 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 2026 - 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 Friday 17 April 2026) 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 Monday 20 April 2026, 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 Wednesday April 8, 2026).

The draft resolutions must be submitted by 12:00 noon of Wednesday April 8, 2026, by having them sent by certified e-mail to tesmecspa@pec.it, with the subject line of the e-mail stating "Shareholder Meeting 2026 - 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. Friday April 10, 2026), 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.

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, 23 March 2026

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 ("TUF") and 84-ter of the Regulation adopted by 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 23 April 2026, at 10:30 at the operational headquarters in Grassobbio (BG), Via Zanica 17/O, 24050, on a single call.

1. Approval of the financial statements as at 31 December 2025 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including the sustainability statement; allocation of result for the period; inherent and consequent resolutions.

2.1 Approval of the financial statements as at 31 December 2025;

2.2 Allocation of profit or loss for the period.

Dear Shareholders,

The Company, within the term established by Article 154-ter of the TUF, 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 TUF. 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 TUF 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 11 March 2026.

The directors' report will be made available to the public, together with the draft financial statements of Tesmec as of December 31, 2025, the consolidated financial statements of Tesmec Group as of December 31, 2025, the attestation of the Executive in charge of preparing the Company's accounting documents, the report of the Board of Statutory Auditors, the Independent Auditors' report, 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 accordance with the other methods prescribed by CONSOB within the way and terms provided by applicable law and regulations.

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 2025 of Tesmec that closed with an operating loss amounting to Euro 206,608.

With reference to the results achieved, the Board of Directors proposes that you resolve to carry forward the operating loss.

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 2025 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 2025, 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 2025 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 2025;*

resolves:

- *to approve the financial statements as at 31 December 2025;*
- *to grant to the Chief Executive Officers of the Company, acting severally and 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 2025 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 2025;*

resolves:

- *to carry forward the loss for the year for Euro 206,608;*
- *to grant to the Chief Executive Officers of the Company, acting severally and 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, 11 March 2026

TESMEC S.p.A.

The Chairman of the Board of Directors
Ambrogio Caccia Dominioni

INDIPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT

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, 2025, 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, 2025 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 "4.2.1 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.

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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Santa Sofia, 28 - 20122 Milano | Capitale Sociale: Euro 10.688.930,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informazione completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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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.

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 “4.2.1 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.

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.

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 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 using the support of our internal specialists, with particular 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, 2026

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

**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, 2025, 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, 2025, 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 and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Tesmec S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue Recognition: terms and conditions of contracts for product sales

Description of the key audit matter Group's contracts for product sales are based upon shipping terms that can vary by region and that include, in some cases, the transfer of ownership to the buyer prior to the actual delivery of the product.

Revenue recognition criteria for such transactions require the assessment of sales contractual terms and the fulfilment of relevant performance obligations in order to have a complete and true representation of these operations in the financial statements.

The assessment of sales terms and conditions and their application to revenue recognition has been deemed a key audit matter, considering the variance and complexity of some contractual terms applied to sales transactions.

The notes 3.3 "*Significant accounting principles – Revenues from contracts with customers*" and 3.6 "*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.

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 130.4 million, of which Euro 30.6 million is short-term (compared to Euro 147.0 million as at December 31, 2024, of which Euro 43.3 million was short-term).

Certain medium-to-long-term loan agreements, with a residual value of Euro 88.5 million as at the reporting date, require compliance with financial covenants which, as of the balance sheet date, have been met.

To this regard, the Directors also 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 2026, 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 budget 2026 and in the business plan 2027-2029 (the “Business Plan”), due to the context of general uncertainty connected to the macroeconomic environment of the reference markets. As a result of this analysis, the Directors concluded that there are no significant uncertainties regarding compliance with the covenants and, consequently, on the going concern. Furthermore the Directors indicate that different trends from those included in the forecasts, could lead to the achievement of lower results with possible effects currently unforeseeable on the ability of the Company and the Group to comply with such covenants.

The compliance with the financial covenants and related disclosure have been deemed a key audit matter considering the current and potential impacts of their non-compliance on the balance sheet classification of non- current financial liabilities, as well as on the ability of the Group to fulfill its obligations in the foreseeable future.

The note 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; - 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;
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- 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 2026, 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

Description of the key audit matter

As required by the international accounting standard IAS 36, in the presence of indicators of possible impairment, management has subjected the value of individual Cash Generating Units (“CGUs”) to an impairment test aimed at ensuring that they are recorded in the financial statements as of 31 December 2025 at an amount not exceeding their recoverable value. In particular, the Directors report having identified indicators of possible impairment with reference to the Tesmec Saudi Arabia CGU (whose carrying amount includes goodwill of Euro 3 million), where signs of market slowdown have emerged, and with reference to the Tesmec Australia CGU, where, in addition to the negative market trend, the period result was adversely affected by costs related to the closure of a project with inadequate profitability. 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 budget and Business Plan.

Following the impairment test, which was approved by the Board of Directors on March 11, 2026, the Directors concluded that the recoverable amount of tested CGUs 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, 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 tested CGUs 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 has also prepared sensitivity analyses as described in note 5, "Impairment Test," of the consolidated financial statements. The Directors indicate that, following the sensitivity analyses, an increase of 2% in the WACC together with a decrease of 1% in the growth rate (g) would not result in any impairments.

Given the subjectivity of the estimates related to the determination of the cash flows considered and the key variables of the impairment model used for test, we have considered the Impairment Test 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.

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 tested CGUs, 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 budget and 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;
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- 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of the Group has appointed us on April 16, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Tesmec S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2025, 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, 2025 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, 2025, including their 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 of 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.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Tesmec Group as at December 31, 2025.

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 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, 2026

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

**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, 2025, 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, 2025, 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 and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue Recognition: terms and conditions of contracts for product sales

Description of the key audit matter Contracts for product sales are based upon shipping terms that can vary by region and that include, in some cases, the transfer of ownership to the buyer prior to the actual delivery of the product.

Revenue recognition criteria for such transactions require the assessment of sales contractual terms and the fulfilment of relevant performance obligations in order to have a complete and true representation of these operations in the financial statements.

The assessment of sales terms and conditions and their application to revenue recognition has been deemed a key audit matter, considering the variance and complexity of some contractual terms applied to sales transactions.

The notes 2.2. “*Significant accounting principles– Revenues from contracts with customers*” and 2.5 “*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.
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Compliance with financial covenants provided in financial loan contracts

Description of the key audit matter

The Company's net financial indebtedness amounts to Euro 75.6 million (Euro 61.4 million as at December 31, 2024). Certain medium/long-term loan contracts, whose residual value as of the financial statements' date amounts to Euro 74.7 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.

To this regard, the Directors also 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 2026, 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 budget 2026 and in the Plan 2027-2029 (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
- 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 2026, 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 84.5 million and Investments in affiliated companies for Euro 1.0 million as at December 31, 2025.

As required by the international accounting standard IAS 36, in the presence of indicators of possible impairment, the Company's management has subjected the carrying 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, 2025, 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 budget and from the Plan.

As a result of the Impairment Test, approved by the Board of Directors on March 11, 2026, 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.

Management has also prepared sensitivity analyses as described in the explanatory notes. The Directors indicate that, following the sensitivity analyses, an increase of 2% in the WACC together with a decrease of 1% in the growth rate (g) would not result in any impairments.

Considering the significance of the carrying amount of the investments recorded in the financial statements, the subjectivity of the estimates related to the determination of the cash flows considered, and the key variables of the impairment model used for testing investments in subsidiaries and associates, we have considered the Impairment Test a key audit matter in the audit of the Company's financial statements.

The note 7 "*Equity investments in subsidiaries, associates and joint ventures*" of the financial statements includes the disclosures on the impairment test, and the results of the sensitivity analysis carried out by the Management showing the possible effects from changes in certain key assumptions used for the impairment test.

Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following, also with the support of experts: - reviewed the methods and methodology adopted by Management for the determination of the recoverable value of the investments in the subsidiaries and affiliated companies and analyzed the methodology and assumptions used for the impairment test, as well as its compliance with the relevant accounting standards; - developed an understanding of the Company's relevant controls on the impairment test process; - analyzed the reasonableness of the main assumptions used in the preparation of the budget and the Plan and the related cash flow projections, and obtained relevant information 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;
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- 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, 2025, 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, 2025 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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, 2025, including their 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, 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.

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, 2025.

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 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, 2026

As disclosed by the Directors, the accompanying financial statements of Tesmec S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

TESMEC S.p.A.
Registered office in Milan, Piazza S. Ambrogio no. 16
Subscribed and paid-up share capital Euro 15,702,162
Tax code and registration number at the
Milan Register of Companies no. 10227100152
Economic and Administrative Register (REA) no. 1360673

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS'
MEETING OF TESMEC S.P.A. PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE
DECREE 58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the financial period ended 31 December 2025, the Board of Statutory Auditors of Tesmec S.p.A. (hereinafter also the “Company”) 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, the Consob regulations on corporate controls, and the guidelines contained in the Corporate Governance Code to which the Company adheres.

The Board of Statutory Auditors obtained the information necessary for carrying out the supervisory duties assigned to it by participating in the meetings of the corporate bodies, performing periodic audits, and meeting with the representatives of the Independent Auditors Deloitte & Touche S.p.A. (the “Independent Auditors”), the members of the Control, Risk and Sustainability Committee, the Remuneration and Nomination Committee, the members of the Supervisory Body established pursuant to Legislative Decree 231/2001, the key representatives of the various corporate functions, and the Manager in charge of preparing the Company’s accounting documents, in order to exchange information on the activities and on the programs.

The Board of Statutory Auditors currently in office was appointed by the Shareholders’ Meeting held on 30 April 2025, in accordance with applicable legal, regulatory and statutory provisions, and its mandate will expire with the Shareholders’ Meeting convened to approve the financial statements as at 31 December 2027. The Board of Statutory Auditors is composed of Dr. Simone Cavalli, Chairman, Dr. Alice Galimberti and Dr. Attilio Marcozzi, Standing Statutory Auditors. All members of the Board of Statutory Auditors were reappointed. It should be noted that, following the resignation submitted by Dr. Laura Braga, on 26 March 2025 the Alternate Auditor, Dr. Alice Galimberti, replaced—pursuant to law and the By-laws—the Standing Statutory Auditor previously in office and remained in such position until the approval of the

financial statements as at 31 December 2024, the date on which the mandate of the previously appointed Board of Statutory Auditors expired.

The composition of the in office Board of Statutory Auditors complies with the gender diversity requirements set forth in Article 148, paragraph 1-bis, of Legislative Decree No. 58/1998 (the “Consolidated Law on Finance (TUF)”), as amended by Article 1, paragraph 303, of Law No. 160 of 27 December 2019, and applied pursuant to Article 1, paragraph 304, of the same Law, as well as in accordance with Consob Communication No. 1/20 of 30 January 2020.

Pursuant to Article 153 of Italian Legislative Decree 58/1998 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 Article 19 of Legislative Decree No. 39 of 27 January 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 statutory deadlines set by the law, the half-yearly financial report and the interim quarterly reports on operations;
- we verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members in accordance with the requirements set out 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 the article 148, paragraph 3, of the TUF as well as those contained in recommendation no. 7 of the Corporate Governance Code;

- from a substance-over-form perspective, did not consider that the mere continuation in office by Dr. Cavalli's affects the presence of his independence requirements, as the experience he has gained should instead be considered as an advantage for the benefit of society;
- during the meeting held on 16 February 2026, 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 Article 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, in accordance with the principles set out in the Rules of Conduct for Boards of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts. The self-assessment process also took into account the Diversity Policy on diversity in relation to the composition of the administrative and control bodies, approved by the Company's Board of Directors on 1 March 2018 and updated on 11 March 2022, in relation to aspects such as age, gender composition and educational and professional background. The Board of Statutory Auditors then informed the Company's Board of Directors that no shortcomings emerged from this investigation either in relation to each standing member or its composition;
- we obtained information and supervised, to the extent of our authority, the 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 TUF, 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 2025 financial year:

- On 27 September 2025, the parent company Tesmec S.p.A. completed the signing of a pooled financing transaction for a total amount of EUR 55 million, structured into four separate loan agreements with various leading financial institutions. In the context of the transaction, Banca Finint acted as agent bank and SACE agent.

The financing transaction is composed of four facilities structured as follows:

- Facility A1 and Facility A2, amortising, amounting to EUR 39,150 thousand and EUR 5,850 thousand respectively, both intended for the partial early repayment of existing medium -to long-term debt and to support the Group's needs related to the industrial plan;
- Facility B and Facility C, amortising, amounting to EUR 5 million each, intended to support the Group's industrial plan and investment activities.

The final maturity date is set for 31 December 2031, with principal repayments on a quarterly basis, starting from 31 December 2026 for Facility A1, Facility A2 and Facility B, and from 30 September 2028 for Facility C. Facility A1 and Facility A2 are supported by a partial SACE Growth guarantee covering 70% of the amount. The loan agreements include customary undertakings and financial covenants in line with market practice.

- during the 2025, the reorganisation process of the activities of Groupe Marais SAS was completed through the establishment of a joint venture in France and the consequent deconsolidation of the investment in the French subsidiary. More specifically, in accordance with the binding contractual agreements entered into in 2024 with the signing of the Binding Termsheet with OT Engineering, a French company belonging to the Comergy group and based in Meylan (Grenoble):
 - in January 2025, Groupe Marais SAS transferred to its subsidiary Tesmec France SAS the business unit related to the production and sale of trenchers;
 - on 7 March 2025, Groupe Marais SAS sold to Marais Technologies SAS its entire equity interest in the above mentioned subsidiary Tesmec France SAS, at a price of EUR 3,747 thousand;

- on 14 May 2025, the Shareholders' Meeting of Groupe Marais SAS resolved on a first capital increase reserved for OT Engineering for a total amount of EUR 5,300 thousand, which was paid in through the contribution of the 'Greenpose' business unit, operating in the trencher rental sector, for EUR 4,600 thousand, and for the remaining EUR 700 thousand in cash;
- on 6 November 2025, the Shareholders' Meeting of Groupe Marais SAS completed the capital increase reserved for OT Engineering by subscribing an additional EUR 2,608 thousand in execution of the agreements entered into between the parties.

As a result of the above, OT Engineering, which as at 30 September 2025 already held 29.6% of the share capital of Groupe Marais, came to hold 50.0%; consequently, the deconsolidation of Groupe Marais in the financial statements as at 31 December 2025 became final.

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;
- at the meeting held on 10 March 2025, the Board of Directors of Tesmec S.p.A. stated that the subsidiaries Tesmec USA, Inc., Tesmec Peninsula WII, Tesmec Saudi Arabia Llc and Tesmec Australia (Pty) Ltd are 'strategically significant 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 were received pursuant to Article 2408 of the Italian Civil Code, nor were any reports submitted by third parties.
- we have not reported to the administrative body pursuant to and for the purposes of Article 25-octies Legislative Decree 12 January 2019, n. 14. We have not received reports from public creditors pursuant to and for the purposes of Article 25-novies legislative decree 12 January 2019, n. 14;
- we supervised compliance with the provisions established by Legislative Decree No. 125 of 6 September 2024, which implemented EU Directive No. 2022/2464 (the so-called CSRD), as well as with the remaining applicable regulations, by examining, among other things, the Sustainability Report and verifying compliance with the rules governing its preparation;
- based on the information received from the Independent Auditors of the Group appointed to perform the Group's statutory audit, Deloitte & Touche S.p.A., during the financial year ended 31 December 2025, neither the Company nor its subsidiaries assigned to Deloitte & Touche S.p.A. any additional engagements beyond those relating to the statutory audit 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 referred to in Article 11 of EU Regulation 537/2014, dated 31 March 2026, the examination of which did not reveal any matters requiring emphasis in this report, which will be forwarded to the Board of Directors as required by the applicable 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 confirmed to the Board of Statutory Auditors that, in carrying out its audit procedures, it took into account the guidelines issued by the European Securities and Markets Authority (ESMA) in its document of 14 October 2025 on the European common supervision priorities;

- the Independent Auditors issued, on 31 March 2026, pursuant to Article 14 of Legislative Decree 39/2010 and of Article 10 of EU Regulation 537/2014, the audit Reports on the separate and consolidated financial statements as of 31 December 2025.

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 2025, 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 Article 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 2025 and some specific information contained in the "Report on corporate governance and ownership structure" as indicated in the Article 123 - bis, paragraph 4 of the TUF. 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 above mentioned Independent Auditors' Reports are consistent with the content of the Additional Report prepared pursuant to Article 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 2025 consolidated financial statements under XHTML format and its signing, in all the relevant aspect, in accordance with the Commission Delegated Regulation;

- on 31 March 2026, the Independent Auditors also issued the report on the limited assurance engagement of the consolidated sustainability reporting prepared pursuant to Article 8 of Legislative Decree 125/2024, in which it states that nothing has come to its attention that would lead it to believe that:
 - the Tesmec Group's consolidated sustainability reporting for the financial year ended 31 December 2025 was not prepared, in all material respects, in accordance with the reporting standards adopted by the European Commission pursuant to Directive (EU) 2013/34/EU ('European Sustainability Reporting Standards – ESRS')
 - the information contained in paragraph '4.2.4. European Taxonomy of Sustainable Activities – EU Regulation 2020/852' of the consolidated sustainability reporting was not prepared, in all material respects, in accordance with Article 8 of Regulation (EU) No. 852 of 18 June 2020 (hereinafter also the 'Taxonomy Regulation').
- during the meetings held with the Independent Auditors pursuant to Article 150, paragraph 3, of the 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 the TUF and 84-quarter of the Issuers' Regulation, as well as in accordance with the recommendations of Article 5 of Corporate Governance Code and we have no particular observations to report;
- during the financial period, the Board of Statutory Auditors attended the annual Shareholders' Meeting for the approval of the financial statements, held on 30 April 2025. During the same period, the Board of Statutory Auditors met 15 times, 6 of which in joint session with the Control, Risks and Sustainability Committee. All members generally attended these meetings;
- we verified and assessed the periodic disclosures and periodic press releases issued by the Company to the public, as well as compliance with the reporting obligations to 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 18 December 2025 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 regularly 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 23 February 2026 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;
- the Tesmec Group has adopted a dedicated Whistleblowing Policy and has established an internal reporting channel for the notification of violations, in compliance with the provisions of Legislative Decree 24/2023 implementing Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law and national legislation;
- starting from May 2018 Tesmec has complied the EU Regulation 679/2016 (c.d. General Data Protection Regulation);
- during the 2025, an in-depth risk analysis was launched, focusing on the security of information systems, networks, and data, in compliance with Legislative Decree No. 138/2024 implementing EU Directive 2022/2555 on cybersecurity ("NIS 2");
- 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 of the above, we do not identify, within the scope of our responsibilities, any grounds preventing the approval of the financial statements as of 31 December 2025, nor do we have any remarks regarding the proposal to carry forward the loss as prepared by the Board of Directors.

Milano, 31 March 2026

Board of Statutory Auditors

Simone Cavalli – Chairman

Alice Galimberti – Statutory Auditor

Attilio Marcozzi – Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers.

TESMEC



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VAT identification code IT10227100152
Milan Register of companies no. 1360673

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