Interim Financial Report at March 31, 2015

Investor Relator
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Tesmec S.p.A.
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Fully paid up share capital as at 31 March 2015 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code 10227100152

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COMPOSITION OF THE CORPORATE BODIES

Board of Directors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Alfredo Brignoli Gianluca Bolelli (2)
Directors	Sergio Arnoldi (1) (2) (3) (4) Gioacchino Attanzio (1) (2) (3) (4) (5) Caterina Caccia Dominioni (3) Guido Giuseppe Maria Corbetta (1) Lucia Caccia Dominioni

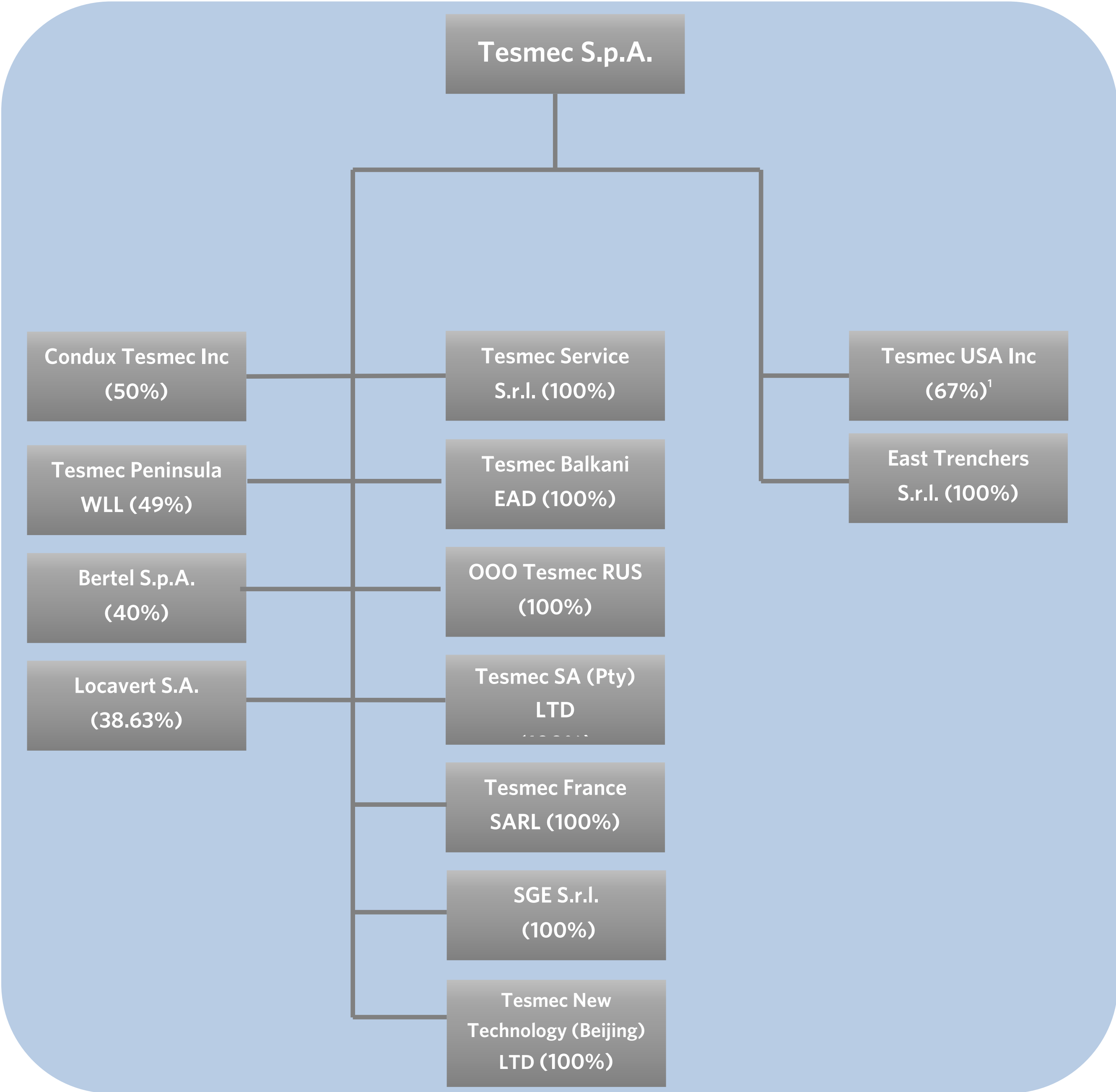
(1) Independent Directors
(2) Members of the Control and Risk Committee
(3) Members of the Remuneration Committee
(4) Members of the Appointments Committee
(5) Lead Independent Director

Manager responsible for preparing the Company's financial statements	Andrea Bramani

Board of Statutory Auditors

Chairman	Simone Cavalli
Statutory auditors	Stefano Chirico Alessandra De Beni
Alternate Auditors	Attilio Marcozzi Stefania Rusconi
Independent Auditors	Reconta Ernst & Young S.p.A.

GROUP STRUCTURE



[(1)] The remaining 33% is held by Simest S.p.A. Since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the shareholding of the Parent Company in Tesmec USA, Inc. is fully consolidated on a 100% basis.

INTERIM CONSOLIDATED REPORT ON OPERATIONS

(Not audited by the Independent Auditors)

1. Introduction

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

The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport.
Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group has more than 500 employees and five production plants, four in Italy, Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari), and one in the USA, in Alvarado (Texas).
As a result of its listing on the Stock Exchange on 1 July 2010, the Parent Company has pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions grouped into three main areas of business: Stringing equipment, Trencher and Rail.

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

Stringing equipment segment

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

Trencher segment

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

Rail segment

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

All types of product are developed according to the ISEQ approach (Innovation, Safety, Efficiency and Quality), in observance of environmental sustainability and energy saving.

The know-how acquired in developing specific technologies and innovative solutions and the presence of a team of highly specialised engineers and technicians allows the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery, to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency. A combination of leading edge products and in-depth knowledge on the use of innovative technologies, for tackling the new requirements of the market, therefore allows the Group to offer a successful mix with the objective of ensuring high work performances.
Today, the Group not only sells cutting edge machines, but genuine integrated electrification and excavation systems, which provide advanced solutions during the work performance phase. This is a result of the constant pursuit of innovation, safety, efficiency and quality, and of the development of software for making machines safer, more reliable and high-performance.
The Group also has a global commercial presence throughout the majority of foreign countries, with a direct presence on different continents, thanks to foreign companies and sales offices in the USA, South Africa, Russia, France, Qatar, Bulgaria and China.

2.Macroeconomic Framework

Thanks to the many positive factors including lower oil prices, (-45% from September 2014), the expansionary monetary policies of the ECB and the consequent weakening of the EUR/USD exchange rate, the performance of the Italian economy seems to be headed to a new phase of growth with GDP expected to range from 0.5 to 0.7% after three years of negative growth rates.
However, some uncertainty elements remain related to the weakness of the current phase of growth that, globally, according to the latest report of the International Monetary Fund, should reach 3.5% in 2015, this time with higher rates in the economies of developed countries than in those of emerging countries.

This phenomenon reflects the specific situation of some countries, such as Russia and Brazil, and in general of the economies affected by the oil prices.
Inflation in advanced economies remains at levels close to zero by helping to keep interest rates very low.
In this scenario, we believe that the Tesmec Group, which has been working mainly on international markets for years, will benefit significantly for its own growth.

3.Significant events occurred during the period

The extraordinary transactions that occurred during the period include the following:

- On 13 February 2015, the East Trenchers S.r.l. shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.

- On 19 March 2015, Cerved Rating Agency, the Italian rating agency specialised in assessing the creditworthiness of non-financial companies, confirmed the "A2.2" solicited rating with reference to the bond issue "Tesmec S.p.A. 6% 2014-2021" (ISIN: IT0005012247), traded on the ExtraMOT PRO market organised and managed by Borsa Italiana S.p.A. More specifically, the "A2.2" rating issued by the Cerved Rating Agency ranks fifth on a scale of 13 risk levels (from A1.1 to C2.1) and it is the result of an evaluation process that combines rigorous quantitative models to forecast the credit risk and accurate qualitative analyses of specialised analysts, with an eye also to the Company's competitive position in the industry.

4. Activity, reference market and operating performance for the first three months of 2015

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"), which were endorsed by the European Commission, in effect as at 31 December 2014. The following table shows the major economic and financial indicators of the Group as at March 2015 compared with the same period of 2014.

OVERVIEW OF RESULTS

31 March 2014	Key income statement data (Euro in millions)	31 March 2015
27.2	Operating Revenues	34.4
3.2	EBITDA	4.4
1.6	Operating Income	2.4
0.2	Group Net Profit	2.8
31 December 2014	**Key financial position data** (Euro in millions)	**31 March 2015**
121.5	Net Invested Capital	135.7
48.2	Shareholders' Equity	54.8
73.4	Net Financial Indebtedness	80.9
3.2	Investments in property, plant and equipment and intangible assets	1.7
496	Annual average employees	506

The information relating to the main companies that carried out operations during the quarter is shown below:

- Tesmec USA Inc., a company that is 67% owned by Tesmec S.p.A. and 33% by Simest S.p.A. (with an option of Tesmec S.p.A. to repurchase the Simest's shareholding interest), is based in Alvarado (Texas) and operates in the Trencher segment and in the stringing equipment/rail sector (as from 2012). In the first three months of 2015, revenues achieved directly with customers/end users came to Euro 8.7 million. The traditional distributors' channel used almost exclusively in the past is no longer present in branch sales.

- Tesmec Service S.r.l., company 100% owned by Tesmec S.p.A. with registered office in Grassobbio (BG) and operating unit in Monopoli (BA) where it carries out its activity of design and construction of machinery for the maintenance of railway rolling stock as a result of the execution of the contract for the lease of the business unit of the company AMC2 Progetti e Prototipi S.r.l occurred in 2012. The final decree of transfer is arrived on 26 February 2015. During the first quarter of the 2015 financial period, the company continued to develop the product range and recorded revenues of Euro 0.6 million;

- Tesmec SA (Pty) Ltd, with registered office in Johannesburg (South Africa), 100% owned by Tesmec S.p.A., was set up in August 2011. In the first three months, the company generated revenues of Euro 0.3 million.;

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by US shareholder Condux and consolidated using the equity method, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. During the first three months, the company generated revenues totalling Euro 0.8 million, contributing Euro -117 thousand to the Group's profits.

- Tesmec Peninsula WLL, a Joint Venture with registered office in Doha (Qatar) 49% owned by Tesmec S.p.A., is the hub through which the Tesmec Group is present on the Arabian peninsula. Tesmec Peninsula commenced operations in the second quarter of 2011; in the first quarter of 2014, the company generated revenues of Euro 1.7 million, contributing with Euro 331 thousand to the Group's profits.

- SGE S.r.l., controlled company specialised in the design and sales of sensors and fault detectors and measurement devices for medium voltage power lines. During the first quarter of 2015, revenues amounted to Euro 609 thousand and net profit amounted to Euro 43 thousand.

Income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 31 March 2015 with those as at 31 March 2014.

The main profit and loss figures for the first three months of 2015 and 2014 are presented in the table below:

	Quarter ended 31 March			
(Euro in thousands)	2015	% of revenues	2014	% of revenues
Revenues from sales and services	**34,442**	**100.0%**	**27,244**	**100.0%**
Cost of raw materials and consumables	(17,666)	-51.3%	(13,877)	-50.9%
Cost of services	(5,732)	-16.6%	(4,810)	-17.7%
Payroll costs	(7,409)	-21.5%	(6,335)	-23.3%
Other operating (costs)/ revenues, net	(664)	-1.9%	(564)	-2.1%
Amortisation and depreciation	(1,991)	-5.8%	(1,661)	-6.1%
Development costs capitalised	1,222	3.5%	1,227	4.5%
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method	214	0.6%	333	1.2%
Total operating costs	**(32,026)**	**-93.0%**	**(25,687)**	**-94.3%**
Operating income	**2,416**	**7.0%**	**1,557**	**5.7%**
Financial expenses	(2,353)	-6.8%	(1,233)	-4.5%
Financial income	4,132	12.0%	297	1.1%
Portion of gains/(losses) from the valuation of equity investments using the equity method	(101)	-0.3%	(70)	-0.3%
Pre-tax profit	**4,094**	**11.9%**	**551**	**2.0%**
Income tax	(1,338)	-3.9%	(394)	-1.4%
Net profit for the period	**2,756**	**8.0%**	**157**	**0.6%**
Profit / (loss) attributable to non-controlling interests	-	0.0%	(2)	0.0%
Group profit (loss)	**2,756**	**8.0%**	**159**	**0.6%**

The turnover of the Group continues to be produced almost exclusively abroad and also sales made to Groups based in Europe are at times intended for use outside the European continent. The revenue analysis by area is indicated below, compared with the first quarter of 2015 and the first quarter of 2014, which indicates the growth of the European and Middle-Eastern markets, partially balanced by the downtrends in the BRIC countries.
Note that the geographical segmentation is determined by the Country where the the headquarters of the purchaser is located without considering the Country where the project activities are organized.

	Quarter ended 31 March	
(Euro in thousands)	2015	2014
Italy	2,396	2,860
Europe	13,062	7,039
Middle East	5,554	1,430
Africa	1,296	1,231
North and Central America	8,439	8,482
BRIC and Others	3,695	6,202
Total revenues	**34,442**	**27,244**

Revenues by segment

(Euro in thousands)	Quarter ended 31 March 2015	% of revenues	2014	% of revenues	2015 vs. 2014
Stringing equipment	19,505	56.6%	13,806	50.7%	5,699
Trencher	14,342	41.6%	11,697	42.9%	2,645
Rail	595	1.7%	1,741	6.4%	(1,146)
Total revenues	**34,442**	**100.0%**	**27,244**	**100.0%**	**7,198**

In the first three months of 2015, the Group recorded consolidated revenues of Euro 34,442 thousand, marking an increase of Euro 7,198 thousand compared to Euro 27,224 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 26.4%, which is split unevenly between the Group's three business areas. More specifically, an increase of +41.3% was recorded for the Stringing equipment segment, +22.6% for the Trencher segment and 65.8% for the Rail segment.

The increase in revenues in the Trencher segment is mainly a result of the positive contribution of the American market.

The results of the first three months in the Stringing equipment segment is affected by the order related to the supply of equipment to the Abengoa group for the construction of more than 5,000 km of 500kV lines in Brazil.
The Group has also recorded the first significant revenues and orders in the new business of Automation, confirming the validity of the strategic choices implemented in the past years that also focused on the market of streamlining of power lines.

Finally, the decrease in revenues in the Rail segment is mainly attributable to the nature of a business characterised by long-term contracts and prolonged times for executing the negotiations. The conclusion of negotiations with important customers is expected to have an impact already on the second half year.

Operating costs net of depreciation and amortisation

(Euro in thousands)	Quarter ended 31 March 2015	2014	2015 vs. 2014	% change
Cost of raw materials and consumables	(17,666)	(13,877)	(3,789)	27.3%
Cost of services	(5,732)	(4,810)	(922)	19.2%
Payroll costs	(7,409)	(6,335)	(1,074)	17.0%
Other operating (costs)/ revenues, net	(664)	(564)	(100)	17.7%
Development costs capitalised	1,222	1,227	(5)	-0.4%
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method	214	333	(119)	-35.7%
Operating costs net of depreciation and amortisation	**(30,035)**	**(24,026)**	**(6,009)**	**25.0%**

The table shows an increase in the cost of raw materials and consumables of Euro 3,789 thousand (+27.3%) in line with the increase in sales (+26.4%)

EBITDA

In connection with this trend in revenues, in terms of margins, EBITDA amounts to Euro 4,407 thousand, which represents 12.8% of the sales for the period, compared to 11.8% recorded in the first quarter of 2014.

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

	Quarter ended 31 March				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Operating income	2,416	7.0%	1,557	5.7%	859
+ Depreciation and amortisation	1,991	5.8%	1,661	6.1%	330
EBITDA (*)	**4,407**	**12.8%**	**3,218**	**11.8%**	**1,189**

(*****) EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

The tables below show the income statement figures as at 31 March 2015 compared to those at 31 March 2014, broken down into three operating segments:

	Quarter ended 31 March				
(Euro in thousands)	2015	% of revenues	2014	% of revenues	2015 vs. 2014
Stringing equipment	3,475	17.8%	2,178	15.8%	1,297
Trencher	1,181	8.2%	781	6.7%	400
Rail	(249)	-41.8%	259	14.9%	(508)
EBITDA (*)	**4,407**	**12.8%**	**3,218**	**11.8%**	**1,189**

(*****) EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

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

- Stringing equipment: the margin percentage on revenues increased to 17.8% in the first quarter of 2015 compared to 15.8% achieved in the first quarter of 2014 also thanks to a better absorption of fixed costs on higher sales volumes;
- Trencher: the margin, as a percentage of revenue, rose to 8.2% in the first quarter of 2015, compared to 6.7% recorded in the first quarter of 2014. This margin is affected by the cost of entry into new market segments, partially offset by the favourable EUR/USD exchange rate. In particular, in America, commercial efforts focused on new customers in the building and infrastructural works segment that could more than offset the reduction in business in the area of Shale Gas&Oil;
- Rail: the margin, as a percentage of revenue, fell to -41.8% in the first quarter of 2015, compared to 14.9% recorded in the first quarter of 2014 mainly due to lower volumes, which led to a lesser absorption of fixed costs. The Amtrak contract concluded positively the testing phase at the American factory recording costs slightly higher than the estimates.

Financial Situation

(Euro in thousands)	Quarter ended 31 March 2014	2013
Net Financial Income/Expenses	(1,106)	(945)
Foreign exchange gains/losses	2,786	(85)
Fair value adjustment of derivative instruments	99	94
Portion of gains/(losses) from the valuation of equity investments using the equity method	(101)	(70)
Total net financial income/expenses	**1,678**	**(1,006)**

Net financial management increased compared to the same period in 2014 by Euro 2,684 thousand, insofar as affected:

- for Euro 2,871 thousand by the different USD/EUR exchange rate in the two periods of reference that resulted in the recording of net profits totalling Euro 2,786 thousand in the first quarter of 2015 (realised for Euro 224 thousand and unrealised for Euro 2,562 thousand) against net losses of Euro 85 thousand in the first quarter of 2014;
- for Euro 161 thousand negative by higher interests payable accrued on medium-long term loans taken out during the 2014 financial year.

5.Summary of balance sheet figures as at 31 March 2015

Information is provided below on the Group's main equity indicators, as at 31 March 2015 compared to 31 December 2014. In particular, the following table shows the reclassified funding sources and uses from the consolidated balance sheet as at 31 March 2015 and as at 31 December 2014:

(Euro in thousands)	As at 31 March 2015	As at 31 December 2014
USES		
Net working capital [(1)]	70,910	57,991
Fixed assets	67,487	65,283
Other long-term assets and liabilities	(2,683)	(1,737)
Net invested capital [(2)]	**135,714**	**121,537**
SOURCES		
Net financial indebtedness [(3)]	80,942	73,364
Shareholders' equity	54,772	48,173
Total sources of funding	**135,714**	**121,537**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(2)] The net invested capital is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(3)] The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

A) Net working capital

Details of the composition of the "Net Working Capital" as at 31 March 2015 and 31 December 2014 are as follows:

(Euro in thousands)	As at 31 March 2015	As at 31 December 2014
Trade receivables	49,773	41,297
Work in progress contracts	5,399	5,249
Inventories	64,856	55,390
Trade payables	(40,070)	(34,179)
Other current assets/(liabilities)	(9,048)	(9,766)
Net working capital [1]	**70,910**	**57,991**

[1] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

Net working capital amounted to Euro 70,910 thousand, marking an increase of Euro 12,919 thousand (equal to 22.3%) compared to 31 December 2014. Euro 8,476 thousand of this is due to the increase in "Trade receivables" as a result of lower sales in the first quarter of the financial year and Euro 9,466 thousand is due to the increase in inventories related to sales forecasts of the coming quarters that should still be supported by the stringing equipment segment and by the trencher segment.
In connection with this increase in inventories, an increase in the balance to suppliers was also recorded that offsets partially the upward trend of Euro 5,891 thousand.

B) Fixed assets and other long-term assets

The table below shows a breakdown of "Fixed assets and other long-term assets" as at 31 March 2015 and 31 December 2014:

(Euro in thousands)	As at 31 March 2015	As at 31 December 2014
Intangible assets	13,211	12,372
Property, plant and equipment	49,373	48,116
Equity investments in associates	4,900	4,792
Other equity investments	3	3
Fixed assets	**67,487**	**65,283**

Total fixed assets and other long-term assets recorded an increase of Euro 2,204 thousand due to the increase in the value of property, plant and equipment of Euro 1,257 thousand as a result of the revaluation of the exchange rate of the dollar against the euro.

C) Net financial indebtedness

Details of the breakdown of “Net financial indebtedness” as at 31 March 2015 and 31 December 2014 are as follows:

(Euro in thousands)	As at 31 March 2015	of which with related parties and group	As at 31 December 2014	of which with related parties and group
Cash and cash equivalents	(27,822)		(18,665)	
Current financial assets [(1)]	(8,642)	*(7,995)*	(6,798)	*(6,552)*
Current financial liabilities	54,184	*1,128*	36,506	*1,100*
Current portion of derivative financial instruments	260		-	
Current financial indebtedness [(2)]	**17,980**	***(6,867)***	**11,043**	***(5,452)***
Non-current financial liabilities	62,604	*15,651*	61,861	*15,954*
Non-current portion of derivative financial instruments	358		460	
Non-current financial indebtedness [(2)]	**62,962**	***15,651***	**62,321**	**15,954**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**80,942**	***8,784***	**73,364**	***10,502***

[(1)] Current financial assets as at 31 March 2014 and 31 December 2013 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.

[(2)] Current and non-current financial indebtedness is not identified as an accounting element by the IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not be comparable therewith.

In the first three months of 2015, the Group’s net financial indebtedness increased by Euro 7,578 thousand compared to the figure at the end of 2014. The change compared to 31 December 2014 is mainly due to the seasonal nature of the business and the changes in working capital. The table below shows the breakdown of the following changes:

- increase in current financial indebtedness of Euro 6,937 thousand for:
  - increase in current financial liabilities of Euro 17,678 thousand mainly due to (i) Euro 15,070 thousand as a result of greater advances against invoices and bills receivables and (ii) to Euro 2,995 thousand of the drawing-up of new short-term loan contracts; this increase is compensated by:
  - increase in current financial assets and cash and cash equivalents of Euro 11,001 thousand;
- increase in non-current financial indebtedness of Euro 641 thousand mainly due to: (i) the drawing-up of new medium/long-term loan contracts amounting to Euro 5,930 thousand compensated by the (ii) reclassification under the current financial indebtedness of Euro 5,187 thousand relating to the short-term portion of medium/long-term loans.

6.Management and types of financial risk

For the management of financial risks, please see the paragraph “Financial risk management policy” contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2014, where the Group’s policies in relation to the management of financial risks are presented.

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

In compliance with the Consob communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, it should be noted that during the first quarter of the 2015 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant intercompany and related party information, please see the paragraph “Related party transactions” in the Explanatory Notes.

8.Group Employees

The average number of Group employees in the first quarter of 2015, including the employees of companies that are fully consolidated, is 506 persons compared to 496 in 2014.

9.Other information

Treasury shares

On 30 April 2015, the Shareholders' Meeting authorised the Board of Directors of the Company, for a period of 18 months, to purchase, on the regulated market, ordinary shares of the Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum amount of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the operating procedures laid down by the regulations. This authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 30 April 2014 and expiring in October 2015.

With regard to the programme, in the event of purchases, the Company will periodically disclose the transactions made, specifying: the number of shares purchased, the average unit price, the total number of shares purchased since the beginning of the programme and the total counter value as at the date of the disclosure.

Subsequent events and business outlook

Of events subsequent to the end of the quarter, the following are of note:

- On 8 April 2015, Tesmec S.p.A. concluded the acquisition of the entire share capital of Marais Technologies SAS ("Marais"), French company at the head of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas.
  The contract was signed on 27 March 2015, this acquisition is of strategic importance for Tesmec in that it will allow the Group to use technological skills developed by Marais as part of the service activities in telecommunications and laying of optical fibres and of underground electrical cables and to use them in markets where the Tesmec Group has already acquired an important market positioning. Moreover, the acquisition allows Tesmec to enter in the French market and, more in general, in all the markets where Marais is a leader (Africa, Australia, New Zealand, etc.) with the aim to further expand its activities in telecommunications, where significant investments are planned over the next few years. Finally, the transaction allows the Tesmec Group to use the expertise of Marais Technologies in the hire of machines and in complementary services. More specifically, the Transaction involves the purchase of 1,093,005 shares of Marais (corresponding to 100% of the share capital), of 1,160,534 convertible bonds issued by Marais (corresponding to 100% of the existing bonds) and of 215,384 warrants issued by Marais (corresponding to 100% of existing warrants) at an enterprise value of the Marais Group of Euro 14 million that also takes into account the estimated net payables at the date of performance of the Contract.
  Tesmec also envisaged a recapitalisation of Marais of Euro 5 million to boost the business of the Group by using own funds and a dedicated credit facility granted by the Cariparma Crédit Agricole Group. On 31 December 2014, the pre-audit consolidated financial statements of the Marais Group records Revenues of around Euro 27 million, which derive for more than 70% from service activities, an EBITDA of more than Euro 3 million and net payables to third parties that amount to around Euro 14 million. The transaction envisages the participation of Daniel Rivard, current shareholder of Marais and Chairman of the company until 2011, to whom Tesmec will transfer 20% of the shares owned and who will assume the role of Non-operative chairman of Marais.

- On 30 April 2015, with the approval of the 2014 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the profit of the Parent Company of Euro 6,278 thousand, as follows:
  - Euro 137 thousand to the Legal Reserve;
  - assign a dividend of Euro 0.023 to each outstanding ordinary share;
  - assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend;

The strategic choice to strengthen the market presence in segments such as water pipelines and infrastructures should further support the growth of trencher division, in particular in USA and Middle East, despite the complex Oil&Gas sector.

Moreover, the results of the rail segment are expected to normalise by establishing the aims of significant projects currently being defined. Furthermore, the growth of the Energy Automation business will positively support the performance of the Group also in the second half of the year. Overall, therefore, we would expect, at a constant scope, a growth in sales volumes and margins improvement in 2015.

Further opportunities will be offered in the field of telecommunications thanks to the acquisition of Marais Technologies SAS, French company at the head of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas, whose data will be consolidated as from the half year of 2015.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated financial statements

Consolidated statement of financial position as at 31 March 2015 and as at 31 December 2014

(Euro in thousands)	Notes	31 March 2015	31 December 2014
NON-CURRENT ASSETS			
Intangible assets	5	13,211	12,372
Property, plant and equipment	6	49,373	48,116
Equity investments valued using the equity method		4,900	4,792
Other equity investments		3	3
Financial receivables and other non-current financial assets	14	304	274
Derivative financial instruments	14	*14*	16
Deferred tax assets		3,581	3,374
Non-current trade receivables		403	546
TOTAL NON-CURRENT ASSETS		**71,789**	**69,493**
CURRENT ASSETS			
Work in progress contracts	7	5,399	5,249
Inventories	8	64,856	55,390
Trade receivables	9	49,773	41,297
of which with related parties:	9	*7,329*	*6,570*
Tax receivables		911	489
Other available-for-sale securities	14	129	125
Financial receivables and other current financial assets	10	8,513	6,673
of which with related parties:	10	*7,995*	*6,552*
Other current assets		2,639	2,491
Cash and cash equivalents	14	27,822	18,665
TOTAL CURRENT ASSETS		**160,042**	**130,379**
TOTAL ASSETS		**231,831**	**199,872**
SHAREHOLDERS' EQUITY SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	11	10,708	10,708
Reserves / (deficit)	11	41,308	32,547
Group net profit / (loss)	11	2,756	4,909
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**54,772**	**48,164**
Minority interest in capital and reserves / (deficit)		-	13
Net profit / (loss) for the period attributable to non-controlling interests		-	(4)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**-**	**9**
TOTAL SHAREHOLDERS' EQUITY		**54,772**	**48,173**
NON-CURRENT LIABILITIES			
Medium-long term loans	12	62,604	61,861
of which with related parties:	12	*15,651*	*15,954*
Derivative financial instruments	14	358	460
Employee benefit liability		2,993	3,016
Provisions for risks and charges		41	39
Deferred tax liabilities		3,951	2,892
TOTAL NON-CURRENT LIABILITIES		**69,947**	**68,268**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	13	54,184	36,506
of which with related parties:	13	*1,128*	*1,100*
Derivative financial instruments	14	260	
Trade payables		40,070	34,179
of which with related parties:		*176*	*8*
Advances from contractors		-	-
Advances from customers		5,335	5,705
Income taxes payable		1,176	1,003
Provisions for risks and charges		509	1,040
Other current liabilities		5,578	4,998
TOTAL CURRENT LIABILITIES		**107,112**	**83,431**
TOTAL LIABILITIES		**177,059**	**151,699**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**231,831**	**199,872**

Consolidated income statement for the quarter ended 31 March 2015 and 2014

		Quarter ended 31 March	
(Euro in thousands)	Notes	2015	2014
Revenues from sales and services	15	**34,442**	**27,244**
of which with related parties:		*2,701*	*1,211*
Cost of raw materials and consumables		(17,666)	(13,877)
of which with related parties:		*(151)*	*(1,030)*
Cost of services		(5,732)	(4,810)
of which with related parties:		*14*	*26*
Payroll costs		(7,409)	(6,335)
Other operating (costs)/ revenues, net		(664)	(564)
of which with related parties:		*5*	*105*
Amortisation and depreciation		(1,991)	(1,661)
Development costs capitalised		1,222	1,227
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method		214	333
Total operating costs	16	**(32,026)**	**(25,687)**
Operating income		**2,416**	**1,557**
Financial expenses		(2,353)	(1,233)
of which with related parties:		*(282)*	*(282)*
Financial income		4,132	297
of which with related parties:		*32*	*145*
Portion of gains/(losses) from the valuation of equity investments using the equity method		(101)	(70)
Pre-tax profit		**4,094**	**551**
Income tax		(1,338)	(394)
Net profit for the period		**2,756**	**157**
Profit / (loss) attributable to non-controlling interests		**-**	**(2)**
Group profit (loss)		**2,756**	**159**
Basic and diluted earnings per share		**0.0257**	**0.0015**

Consolidated statement of comprehensive income for the quarter ended 31 March 2015 and 2014

		Quarter ended 31 March	
(Euro in thousands)	Notes	2015	2014
NET PROFIT FOR THE PERIOD		2,756	159
Other components of comprehensive income:			
Exchange differences on conversion of foreign financial statements		4,023	(20)
Total other income/(losses) after tax		**4,023**	**(20)**
Total comprehensive income (loss) after tax		**6,779**	**139**
Attributable to:			
Shareholders of the Parent Company		6,779	141
Minority interests		-	(2)

Statement of consolidated cash flows for the quarter ended 31 March 2015 and 2014

		Quarter ended 31 March	
(Euro in thousands)	Notes	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		2,756	159
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation		1,991	1,661
Provisions for employee benefit liability			27
Provisions for risks and charges / inventory obsolescence / doubtful accounts		53	44
Employee benefit payments		(23)	(1)
Payments of provisions for risks and charges		(551)	(245)
Net change in deferred tax assets and liabilities		753	33
Change in fair value of financial instruments	14	160	(81)
Change in current assets and liabilities:			
Trade receivables	9	(7,335)	(4,189)
Inventories	8	(6,042)	(1,450)
Trade payables		5,063	(304)
Other current assets and liabilities		93	(1,649)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(3,082)**	**(5,995)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(175)	(1,987)
Investments in intangible assets	5	(1,502)	(1,389)
(Investments) / disposal of financial assets		(1,521)	(1,623)
Proceeds from sale of property, plant and equipment and intangible assets	5-6	12	222
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(3,186)**	**(4,777)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	12	5,930	3,643
Repayment of medium/long-term loans	12	(4,691)	(4,534)
Net change in short-term financial debt	13	14,110	7,879
Other changes		(171)	(220)
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**15,178**	**6,768**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**8,910**	**(4,004)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		247	(9)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		18,665	13,778
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**14**	**27,822**	**9,765**
Additional information:			
Interest paid		920	701
Income tax paid		875	983

Statement of changes in consolidated shareholders' equity for the quarter ended 31 March 2015 and 2014

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Shareholders' Equity
Balance as at 1 January 2015	**10,708**	**2,004**	**10,915**	**(1,010)**	**2,114**	**18,524**	**4,909**	**48,164**	9	**48,173**
Profit for the period	-	-	-	-	-	-	2,756	2,756		2,756
Other profits / (losses)	-	-	-	-	4,023	-	-	4,023	-	4,023
Total comprehensive income / (loss)	-	-	-	-		-	-	**6,779**	-	**6,779**
Allocation of profit for the period	-	-	-	-	-	4,909	(4,909)	-	-	-
Change in the consolidation area	-	-	-	-	-	9	-	9	(9)	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	(158)	-	(22)	-	(180)		(180)
Balance as at 31 March 2015	**10,708**	**2,004**	**10,915**	**(1,168)**	**6,137**	**23,420**	**2,756**	**54,772**	**-**	**54,772**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Shareholders' Equity
Balance as at 1 January 2014	**10,708**	**1,810**	**10,915**	**(793)**	**(1,455)**	**16,218**	**4,384**	**41,787**	8	**41,795**
Profit for the period	-	-	-	-	-	-	159	159	(2)	157
Other profits / (losses)	-	-	-	-	(20)	-	-	(20)	-	(20)
Total comprehensive income / (loss)	-	-	-	-	-	-	-	**139**	(2)	**137**
Allocation of profit for the period	-	-	-	-	-	4,384	(4,384)	-	1	1
Dividend distribution	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(220)	-	(220)	-	(220)
Balance as at 31 March 2014	**10,708**	**1,810**	**10,915**	**(793)**	**(1,475)**	**20,382**	**159**	**41,706**	**7**	**41,713**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 31 March 2015

1. Company information

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

2. Reporting standards

The consolidated financial statements as at 31 March 2015 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS), by using the methods for preparing interim financial reports provided by IAS 34 Interim financial reporting.

The accounting standards adopted in preparing the interim consolidated financial statements as at 31 March 2015 are those adopted for preparing the consolidated financial statements as at 31 December 2014 in compliance with IFRS.

More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2014. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

Since the consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2014.

The consolidated financial statements as at 31 March 2015 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2014 for the statement of financial position and the first quarter of 2014 for the consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement).

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

Disclosure of the quarterly consolidated financial statements of the Tesmec Group for the period ended 31 March 2015 was authorised by the Board of Directors on 8 May 2015.

Translation of foreign currency financial statements and of foreign currency items

The exchange rates used to determine the value in Euros of the financial statements of subsidiary companies expressed in foreign currency (exchange rate to 1 Euro) are shown below:

	Average exchange rates for the quarter ended 31 March		End-of-period exchange rate as at 31 March	
	2015	2014	2015	2014
US Dollar	1.127	1.370	1.076	1.379
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	71.087	48.078	62.440	48.780
South African Rand	13.230	14.889	13.132	14.588
Renmimbi	7.028	8.359	6.671	8.575
Qatar Riyal	4.104	4.988	3.918	5.021

3.Consolidation methods and area

On 31 March 2015, the consolidated area changed with respect to that as at 31 December 2014:

On 13 February 2015, the East Trenchers S.r.l. shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.

4.Significant events occurred during the period

The extraordinary transactions that occurred during the period include the following:

- On 13 February 2015, the East Trenchers S.r.l. shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.

- On 19 March 2015, Cerved Rating Agency, the Italian rating agency specialised in assessing the creditworthiness of non-financial companies, confirmed the "A2.2" solicited rating with reference to the bond issue "Tesmec S.p.A. 6% 2014-2021" (ISIN: IT0005012247), traded on the ExtraMOT PRO market organised and managed by Borsa Italiana S.p.A. More specifically, the "A2.2" rating issued by the Cerved Rating Agency ranks fifth on a scale of 13 risk levels (from A1.1 to C2.1) and it is the result of an evaluation process that combines rigorous quantitative models to forecast the credit risk and accurate qualitative analyses of specialised analysts, with an eye also to the Company's competitive position in the industry.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

5.Intangible assets

The breakdown and changes in "Intangible assets" as at 31 March 2015 and as at 31 December 2014 are shown in the table below:

(Euro in thousands)	01/01/2015	Increases due to purchases	Decreases	Reclassifications	Amortisation	Exchange rate differences	31/03/2015
Development costs	10,365	1,294	-	-	(978)	357	11,038
Rights and trademarks	386	54	-	-	(42)	-	398
Assets in progress and advance payments to suppliers	1,621	154	-	-	-	-	1,775
Total intangible assets	**12,372**	**1,502**	**-**	**-**	**(1,020)**	**357**	**13,211**

Intangible assets amounted to Euro 13,211 thousand as at 31 March 2014, and were up by Euro 839 thousand against the previous year mainly due to development costs capitalised during the first three months of 2015 of Euro 1,294 thousand, partially offset by the amortisation for the period (Euro 978 thousand). The increase refers to designs of Euro 422 thousand in the trencher segment, of Euro 375 thousand in the rail segment related to the production of a new generation rail in the US and Euro 497 thousand in the stringing equipment segment.

These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future years.

Assets in progress and advance payments to suppliers amounted to Euro 1,775 thousand and are composed of Euro 1,550 thousand to costs incurred in relation to the acquisition of the company AMC2 operating in the segment of design and production of machines for the maintenance of railway lines. On 26 February 2015, the final decree of approval relating to the transfer in favour of Tesmec Service S.r.l. was received.

6. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" as at 31 March 2015 and as at 31 December 2014 are shown in the table below:

(Euro in thousands)	01/01/2015	Increases due to purchases	Decreases	Reclassifications	Depreciations	Exchange rate differences	31/03/2015
Land	5,457	-	-	-	-	25	5,482
Buildings	24,596	-	-	186	(216)	701	25,267
Plant and machinery	6,007	47	-	-	(279)	209	5,984
Equipment	503	70	-	-	(58)	2	517
Other assets	10,831	54	(12)	-	(418)	1,112	11,567
Assets in progress and advance payments to suppliers	722	4	-	(186)	-	16	556
Total property, plant and equipment	**48,116**	**175**	**(12)**	**-**	**(971)**	**2,065**	**49,373**

As at 31 March 2015, *Property, plant and equipment* totalled Euro 49,373 thousand, up Euro 1,257 thousand on the previous year.
The increase is mainly attributable to the Euro/USD exchange rate effect.

7.Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 31 March 2015 and as at 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Work in progress (Gross)	8,741	8,211
Advances from contractors	(3,342)	(2,962)
Work in progress contracts	**5,399**	**5,249**
Advances from contractors (Gross)	-	-
Work in progress (Gross)	-	-
Advances from contractors	**-**	**-**

"Work in progress" refers exclusively to the rail 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.

8.Inventories

The following table provides a breakdown of the item Inventories as at 31 March 2015 compared to 31 December 2014:

(Euro in thousands)	**31 March 2015**	**31 December 2014**
Raw materials and consumables	33,284	27,768
Work in progress	14,262	13,001
Finished products and goods for resale	17,133	14,469
Advances to suppliers for assets	177	152
Total Inventories	**64,856**	**55,390**

Compared to 31 December 2014, *inventories* recorded an increase of Euro 9,466 thousand mainly attributable to the increase in Raw materials and consumables necessary to cover the expected sales for the coming months of the year.

9.Trade receivables

The following table sets forth the breakdown of Trade Receivables as at 31 March 2015 and as at 31 December 2014:

(Euro in thousands)	**31 March 2015**	**31 December 2014**
Trade receivables from third-party customers	42,444	34,727
Trade receivables from associates, related parties and joint ventures	7,329	6,570
Total trade receivables	**49,773**	**41,297**

The increase in *trade receivables* (20.5%) reflects the trend of sales for the quarter, which were concentrated in March in particular. The balance of trade receivables due from related parties increased by Euro 759 thousand mainly due to higher sales to the associated company Tesmec Peninsula.

10.Financial receivables and other current financial assets

The following table provides a breakdown of financial receivables and other current financial assets as at 31 March 2015 and as at 31 December 2014:

(Euro in thousands)	31 March 2015	31 December 2014
Financial receivables due from related parties	7,995	6,552
Financial receivables from third parties	430	-
Other current financial assets	88	121
Total financial receivables and other current financial assets	**8,513**	**6,673**

The increase in *current financial assets* from Euro 6,673 thousand to Euro 8,513 thousand is mainly due to the increase in credit positions relating to specific contracts signed with the related parties of joint ventures on which an interest rate is applied and repayable within 12 months.

11.Share capital and reserves

The share capital amounts to Euro 10,708 thousand, fully paid in, and is comprised of 107,084,000 shares with a par value of Euro 0.1 each.

The following table provides a breakdown of Other reserves as at 31 March 2015 and as at 31 December 2014:

(Euro in thousands)	31 March 2015	31 December 2014
Revaluation reserve	86	86
Extraordinary reserve	16,881	16,881
Change in the consolidation area	(13)	(43)
Severance indemnity valuation reserve	(317)	(317)
Network Reserve	794	794
Retained earnings/(losses brought forward)	6,999	5,171
Bills charged directly to shareholders' equity		
on operations with entities *under common control*	(4,048)	(4,048)
Total other reserves	**20,382**	**18,524**

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 differences has a positive impact on Shareholders' Equity of Euro 4,023 thousand as at 31 March 2015.

As at 31 March 2015, the increase in Retained earnings/(losses brought forward) is due to the 2014 profit that was allocated by the Shareholders' Meeting on 30 April 2015.

12.Medium-long term loans

During the first three months of 2015, medium-long term loans increased from Euro 61,861 thousand to Euro 62,604 thousand mainly due to: i) reclassification in the current financial indebtedness of Euro 5,187 thousand of the short-term portion of medium-long term loans (ii) decrease in financial leases (Euro 18,136 thousand as at 31 March 2015 compared to Euro 18,724 thousand as at 31 December 2014) net of (iii) the drawing-up of two new medium to long-term loan contracts totalling Euro 5,930 thousand.

13.Interest-bearing financial payables (current portion)

The following table provides details of this item as at 31 March 2015 and as at 31 December 2014:

(Euro in thousands)	31 March 2015	31 December 2014
Advances from banks against invoices and bills receivables	33,856	18,786
Other financial payables (short-term leases)	2,484	2,474
Payables due to factoring companies	2,773	2,066
Current account overdrafts	32	-
Short-term loans to third parties	3,616	2,809
Current portion of medium/long-term loans	11,423	10,371
Total interest-bearing financial payables (current portion)	**54,184**	**36,506**

The increase in the *current portion of medium/long-term loans* refers to the reclassification of the short-term portion of the loans described in the previous paragraph.

14.Disclosure of derivative financial instruments

The following table shows a summary of the financial instruments, other than cash and cash equivalents, owned by the Group as at 31 March 2015:

(Euro in thousands)	Loans and receivables/ financial liabilities measured at amortised cost	Guarantee deposits	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:					
Derivative financial instruments	-	-	-	-	14
Guarantee deposits	-	304	-	-	-
Trade receivables	403	-	-	-	-
Total non-current	**403**	**304**	**-**	**-**	**14**
Trade receivables	49,773	-	-	-	-
Financial receivables due from related parties	7,995	-	-	-	-
Financial receivables from third parties	430	-	-	-	-
Other current financial assets	88	-	-	-	-
Other available-for-sale securities	-	-	-	129	-
Cash and cash equivalents	-	-	27,822	-	-
Total current	**58,286**	**-**	**27,822**	**129**	**-**
Total	**58,689**	**304**	**27822**	**129**	**14**
Financial liabilities:					
Loans	44,468	-	-	-	-
Non-current portion of finance leases, net	18,136	-	-	-	-

Derivative financial instruments	-	-	-	-	358
Total non-current	**62,604**	**-**	**-**	**-**	**358**
Loans	15,039	-	-	-	-
Other financial payables (short-term leases)	2,484	-	-	-	-
Other short-term payables	36,661	-	-	-	-
Trade payables	40,070	-	-	-	-
Derivative financial instruments	-	-	-	-	260
Total current	**94,254**	**-**	**-**	**-**	**260**
Total	**156,858**	**-**	**-**	**-**	**618**

Management and types of risk

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.
The Group does not hold derivatives or similar products for purely speculative purposes.

Interest rate risk

The Tesmec 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 March 2015, there were five 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 was equal to Euro 15.0 million, with a negative equivalent value of Euro 358 thousand. Moreover, there were three positions related to derivative instruments of Cap interest rate; the notional value of these positions was equal to Euro 6.0 million, with a positive equivalent value of Euro 14 thousand.

Exchange rate risk

A significant portion of the Group's revenues is generated by sales in foreign countries, including developing countries.

The main transaction currencies used for the Group's sales are the Euro and the US Dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the Euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.

With regard to net exposure that is mainly represented by loans in US Dollars of Tesmec S.p.A., the forward buying of the American currency is adopted as the only hedging instrument. However, these hedges are carried out only for one part of the total exposure in that the timing of the inflow of the receipts in dollars is difficult to predict at the level of each sales invoice. Besides, for a good part of the sales in 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.

Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the dollar exposure deriving from:
i) selling trenchers produced in Italy in Middle-East Countries;
ii) selling stringing machines produced in Italy in the USA where purchases are in Euro, and sales in US dollars.

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 might affect the results of the Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

In the first three months of 2015, Tesmec S.p.A. entered into two forward cover contracts of the Euro/USD exchange rate and they still exist as at 31 March 2015. The notional value of these positions was equal to Euro 2.6 million, with a negative equivalent value of Euro 260 thousand.

Credit risk

For the Group, credit risk is closely linked 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 a 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.

Price risk

In general, price risk is linked to the fluctuation of commodity prices.
Specifically, the price risk of the Group is mitigated by the presence of many suppliers of raw materials as well as by the need to be sure on the supply volumes, in order not to affect the warehouse stock.
In reality, this risk seems remote for two fundamental reasons:
1. the existence and use of alternative suppliers;
2. the heterogeneity of raw materials and components used in the production of the Tesmec machinery: it is unlikely for all of them to be affected by increasing price tensions at the same time.
In particular, in the current market situation, this risk seems particularly weakened by the situation of oversupply in many markets.

Liquidity/cash flow variation risks

The management of financial requirements and related risks (mainly interest rate risks, liquidity and exchange rate risks) is carried out by the Group on the basis of 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 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:

- medium-long term loans with multiyear redemption plan, to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term financial payables, advances on export, transfers of trade receivables, to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and of the 3/6-month Euribor rates for medium to long-term loans. Some interest rate hedges have been set in place for floating medium-long term loans. Existing loans contemplate the observance of financial covenants, commented below.

Risks related to transactions with suppliers

The Tesmec Group adopts a supply policy aimed at diversifying the suppliers of components that are characterised by purchased volumes or by high added value. However, the termination for any reason of these supply relations could imply for the Group supply problems of such raw materials, semi-finished and finished goods as for quantity and time suitable for ensuring the continuity of production, or the provisioning could lead to time issues for achieving quality standards already acquired with the old supplier.

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 - are 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 March 2015, divided into the three levels defined above:

(Euro in thousands)	Book value as at 31 March 2015	Level 1	Level 2	Level 3
Financial assets:				
Derivative financial instruments	14	-	14	-
Total non-current	**14**	**-**	**14**	**-**
Other available-for-sale securities	129	-	-	129
Total current	**129**	**-**	**-**	**129**
Total	**129**	**-**	**-**	**129**
Financial liabilities:				
Derivative financial instruments	358	-	358	-
Total non-current	**358**	**-**	**358**	**-**
Derivative financial instruments	260	-	260	-
Total current	**260**	**-**	**260**	**-**
Total	**260**	**-**	**260**	**-**

15.Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 31 March 2015 and as at 31 March 2014:

	Quarter ended 31 March	
(Euro in thousands)	**2015**	**2014**
Sales of products	32,521	25,870
Services rendered	2,120	430
	34,641	**26,300**
Changes in work in progress	(199)	944
Total revenues from sales and services	**34,442**	**27,244**

In the first three months of 2015, the Group recorded consolidated revenues of Euro 34,442 thousand, marking an increase of Euro 7,198 thousand compared to Euro 27,224 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 26.4%, which is split unevenly between the Group's three business areas. More specifically, an increase of +41.3% was recorded for the Stringing equipment segment, +22.6% for the Trencher segment and 65.8% for the Rail segment.

The increase in revenues in the Trencher segment is mainly a result of the positive contribution of the American market.

The results of the first three months in the Stringing equipment segment is affected by the order related to the supply of equipment to the Abengoa group for the construction of more than 5,000 km of 500kV lines in Brazil.

The Group has also recorded the first significant revenues and orders in the new business of Automation, confirming the validity of the strategic choices implemented in the past years that also focused on the market of streamlining of power lines.

Finally, the decrease in revenues in the Rail segment is mainly attributable to the typical cyclical nature of a business characterised by long-term contracts and prolonged times for executing the negotiations. The conclusion of negotiations with important customers is expected to have an impact already on the second half year.

16.Operating costs

The item *operating costs* amounted to Euro 32,026 thousand, an increase of 24.7% compared to the previous year, a more than proportional increase with respect to the performance in revenues (26.4.%).

Segment Reporting

For management purposes, the Tesmec Group is organised into strategic business units on the basis of the nature of the goods and services supplied, and presents three operating segments for disclosure purposes:

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

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

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

	Quarter ended 31 March							
	2015				2014			
(Euro in thousands)	Stringing equipment	Trencher	Rail	Consolidated	Stringing equipment	Trencher	Rail	Consolidated
Revenues from sales and services	19,505	14,342	595	34,442	13,806	11,697	1,741	27,244
Operating costs net of depreciation and amortisation	(16,030)	(13,161)	(844)	(30,035)	(11,628)	(10,916)	(1,482)	(24,026)
EBITDA	**3,475**	**1,181**	**(249)**	**4,407**	**2,178**	**781**	**259**	**3,218**
Amortisation and depreciation	(514)	(1,167)	(310)	(1,991)	(475)	(968)	(218)	(1,661)
Total operating costs	**(16,544)**	**(14,328)**	**(1,154)**	**(32,026)**	**(12,103)**	**(11,884)**	**(1,700)**	**(25,687)**
Operating income	**2,961**	**14**	**(559)**	**2,416**	**1,703**	**(187)**	**41**	**1,557**
Net financial income/(expenses)				1,678				(1,006)
Pre-tax profit				**4,094**				**551**
Income tax				(1,338)				(394)
Net profit for the period				**2,756**				**157**
Profit / (loss) attributable to non-controlling interests				-				(2)
Group profit (loss)				**2,756**				**159**

(*) The EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

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 on the basis of operating income.
Group financial management (including financial income and charges) and income tax is managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by business segment as at 31 March 2015 and as at 31 December 2014:

	As at 31 March 2015					As at 31 December 2014				
(Euro in thousands)	Stringing equipment	Trencher	Rail	Not allocated	Consolidated	Stringing equipment	Trencher	Rail	Not allocated	Consolidated
Intangible assets	3,434	3,704	6,073	-	13,211	3,206	3,387	5,779	-	12,372
Property, plant and equipment	11,787	37,488	98	-	49,373	11,885	36,131	100	-	48,116
Financial assets	4,469	434	-	318	5,221	4,364	432	-	289	5,085
Other non-current assets	69	611	67	3,237	3,984	36	696	63	3,125	3,920
Total non-current assets	**19,759**	**42,237**	**6,238**	**3,555**	**71,789**	**19,491**	**40,646**	**5,942**	**3,414**	**69,493**
Work in progress contracts	**-**	**-**	**5,399**	**-**	5,399	**-**	**-**	5,249	-	5,249
Inventories	16,641	48,049	166	-	64,856	13,753	41,470	167	-	55,390
Trade receivables	19,246	27,848	743	1,936	49,773	12,084	26,187	1,143	1,883	41,297
Other current assets	397	27	442	11,326	12,192	307	122	498	8,851	9,778
Cash and cash equivalents	-	-	-	27,822	27,822	-	-	-	18,665	18,665
Total current assets	**36,284**	**75,924**	**1,351**	**41,084**	**154,643**	**26,144**	**67,779**	**1,808**	**29,399**	**125,130**
Total assets	**56,043**	**118,161**	**7,589**	**44,639**	**226,432**	**45,635**	**108,425**	**7,750**	**32,813**	**194,623**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**-**	**54,772**	**54,772**	**-**	**-**	**-**	**48,164**	**48,164**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Non-current liabilities	**16**	**22**	**651**	**69,258**	**69,947**	**13**	**-**	**622**	**67,633**	**68,268**
Current financial liabilities	-	-	-	54,444	54,444	-	-	-	36,506	36,506
Trade payables	18,877	19,968	1,225	-	40,070	11,939	20,287	1,953	-	34,179
Other current liabilities	4,316	1,741	252	6,289	12,598	5,567	1,273	262	5,644	12,746
Total current liabilities	**23,193**	**21,709**	**1,477**	**60,733**	**107,112**	**17,506**	**21,560**	**2,215**	**42,150**	**83,431**
Total liabilities	**23,209**	**21,731**	**2,128**	**129,991**	**177,059**	**17,519**	**21,560**	**2,837**	**109,783**	**151,699**
Total shareholders' equity and liabilities	**23,209**	**21,731**	**2,128**	**184,763**	**231,831**	**17,519**	**21,560**	**2,837**	**157,956**	**199,872**

Related party transactions

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

	Quarter ended 31 March 2015					Quarter ended 31 March 2014				
(Euro in thousands)	Revenues	Cost of raw materials	Cost of services	Other operating (costs)/ revenues, net	Financial income and expenses	Revenues	Cost of raw materials	Cost of services	Other operating (costs)/ revenues, net	Financial income and expenses
Associates:										
Locavert S.A.	16	-	-	-	-	31	-	-	-	-
Bertel S.p.A.	6	-	-	-	6	-	-	-	-	-
Subtotal	**22**	**-**	**-**	**-**	**6**	**31**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	1,143	-	-	(46)	2	374	-	-	36	1
Tesmec Peninsula	1,070	(147)	(23)	(27)	24	84	(1,018)	(4)	23	36
Subtotal	**2,213**	**(147)**	**(23)**	**(73)**	**26**	**458**	**(1,018)**	**(4)**	**59**	**37**
Related parties:										
Ambrosio S.r.l.	-	-	-	4	-	-	-	-	(3)	-
CBF S.r.l.	-	-	-	-	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	(2)	-	-	-	-	(4)	-	-
Dream Immobiliare S.r.l.	-	-	-	78	(282)	-	-	-	-	(279)
Eurofidi S.p.A.	-	-	-	-	-	-	-	-	-	-
FI.IND. S.p.A.	-	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	-	-	-	-	-	5	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	466	-	1	(3)	-	647	-	1	3	-
Reggiani Macchine S.p.A.	-	(4)	38	(1)	-	70	(12)	33	46	-
Subtotal	**466**	**(4)**	**37**	**78**	**(282)**	**722**	**(12)**	**30**	**46**	**(279)**
Total	**2,701**	**(151)**	**14**	**5**	**(250)**	**1,211**	**(1,030)**	**26**	**105**	**(242)**

(Euro in thousands)	31 March 2015 Trade receivables	31 March 2015 Current financial receivables	31 March 2015 Trade payables	31 March 2015 Current financial payables	31 March 2015 Non-current financial payables	31 December 2014 Trade receivables	31 December 2014 Current financial receivables	31 December 2014 Trade payables	31 December 2014 Current financial payables	31 December 2014 Non-current financial payables
Associates:										
Locavert S.A.	12	-	-	-	-	21	-	-	-	-
Bertel S.p.A.	13	1,122	2	-	-	129	563	1	-	-
Subtotal	**25**	**1,122**	**2**	**-**	**-**	**150**	**563**	**1**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	1,233	252	-	-	-	1,084	156	-	-	-
Tesmec Peninsula	3,024	5,517	168	-	-	2,755	4,729	1	-	-
Subtotal	**4,257**	**5,769**	**168**	**-**	**-**	**3,839**	**4,885**	**1**	**-**	**-**
Related parties:										
Ambrosio S.r.l.	-	-	4	-	-	-	-	4	-	-
CBF S.r.l.	-	-	-	-	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	1	-	-	-	-	2	-	-
Dream Immobiliare S.r.l.	-	1,102	-	1,128	15,651	-	1,102	-	1,100	15,954
Studio Bolelli	-	-	-	-	-	-	-	-	-	-
Eurofidi S.p.A.	-	2	-	-	-	-	2	-	-	-
FI.IND. S.p.A.	-	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	2	-	-	-	-	4	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,873	-	1	-	-	2,440	-	-	-	-
Reggiani Macchine S.p.A.	172	-	-	-	-	137	-	-	-	-
Subtotal	**3,047**	**1,104**	**6**	**1,128**	**15,651**	**2,581**	**1,104**	**6**	**1,100**	**15,954**
Total	**7,329**	**7,995**	**176**	**1,128**	**15,651**	**6,570**	**6,552**	**8**	**1,100**	**15,954**

Certification pursuant to Article 154-bis of Italian Legislative Decree 58/98

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

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

   of the administrative and accounting procedures for preparing the Interim Condensed Consolidated Financial Statements as at 31 March 2015.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 31 March 2015:

   - have been prepared in accordance with international accounting standards endorsed by the European Union, as provided by the 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 equity, income and cash flow situation of the issuer and of its consolidated companies.

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

Grassobbio, 8 May 2015

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

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